

Iran Tests New Missile That Could Reach Israel

Clinton Sees Threat of Mideast Instability

By Tim Weiner
New York Times Service

WASHINGTON — Iran has successfully tested a medium-range missile, the White House confirmed on Thursday.

The weapon, with a range of about 800 miles (1,300 kilometers), is capable of hitting Israel and Saudi Arabia and of altering the political and military balance of power in the Middle East, a senior administration official said.

"This weapon would allow Iran to

strike all of Israel, all of Saudi Arabia, most of Turkey and a tip of Russia," said the official, who spoke on condition of anonymity.

President Bill Clinton warned that the test could destabilize the region. "Obviously if they were to develop an intermediate-range missile, it could change the regional stability dynamics in the Middle East," Mr. Clinton said.

Michael McCurry, presidential spokesman, added, "It is a source of concern to us that they are pursuing a program of this nature."

Other officials said that a U.S. spy satellite had detected the test Wednesday morning and that intelligence experts were still poring over data from the launching of the medium-range missile, which they believe Iran had bought from North Korea.

The officials could not provide immediate information on the location of the launching site or the area where it landed, except to say both were inside Iran's borders.

A former intelligence official familiar with the spread of such weapons said, "The major reaction to this is going to be from Israel, and we have to worry what action the Israelis will take, because the Israelis clearly view the Iranians as their main threat in the Middle East."

Israel is the only nuclear power in the region, and its missiles are believed to be capable of striking any nation in the Middle East.

Iran is working on developing a nuclear warhead but is believed to be years away from building and testing such a weapon. The United States is not certain of the size or sophistication of its programs to develop weapons of mass destruction.

The test Wednesday comes as the United States and Iran have been making cautious overtures toward improving relations, after a long chill. Just last month, Secretary of State Madeleine Albright praised President Mohammed Khatami, a moderate who took office last summer and who has confronted considerable resistance from religious and other conservatives.

But Mrs. Albright, in a speech devoted to steps for improving relations, also called on Iran to show evidence that it was not trying to develop weapons of mass destruction.

The missile test tells the world

Tehran Mayor Gets 5 Years In Graft Trial

By Douglas Jehl
New York Times Service

CAIRO — In a new setback to political moderates in Iran, a Tehran court on Thursday convicted the capital's long-serving mayor on charges of corruption and mismanagement, sentencing him to five years in prison, and barred him from public office until 2018.

The trial of the mayor, Gholam-Hossein Karbaschi, 45, was widely regarded within Iran as aimed also at his close ally, President Mohammed Khatami, and in the fractious world of Iranian politics, his conviction seems likely to silence another important voice in Mr. Khatami's moderate camp.

The verdict was a victory for the conservatives who have dominated Iranian politics since the Islamic Revolution in 1979, and it came amid fresh indications that Mr. Khatami's rivals are asserting an upper hand.

In another ruling Thursday, another Iranian court ordered the newspaper that had emerged as Mr. Khatami's most ardent supporter to cease publication immediately, while Iran's test-firing earlier this week of a potentially destabilizing new middle-range missile sent a signal at odds with Mr. Khatami's relatively con-

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Judge Gholam-Hossein Mohseni Ejei answering questions Thursday after delivering his verdict on Mayor Gholam-Hossein Karbaschi.

Nazi Gold Receipts Vanish Files' Absence Could Weaken Jewish Claims

By Alan Cowell
New York Times Service

BERLIN — German officials acknowledged Thursday that 26 crucial, secret files chronicling receipts of gold stolen from Jews in concentration camps had mysteriously disappeared from German archives long after World War II.

The discovery raised the possibility that the documents were deliberately destroyed to cover the tracks of former Nazi banking officials entrusted by the Allies with high office in postwar Germany. The development could prove a setback to efforts by Holocaust survivors to reinforce claims against Ger-

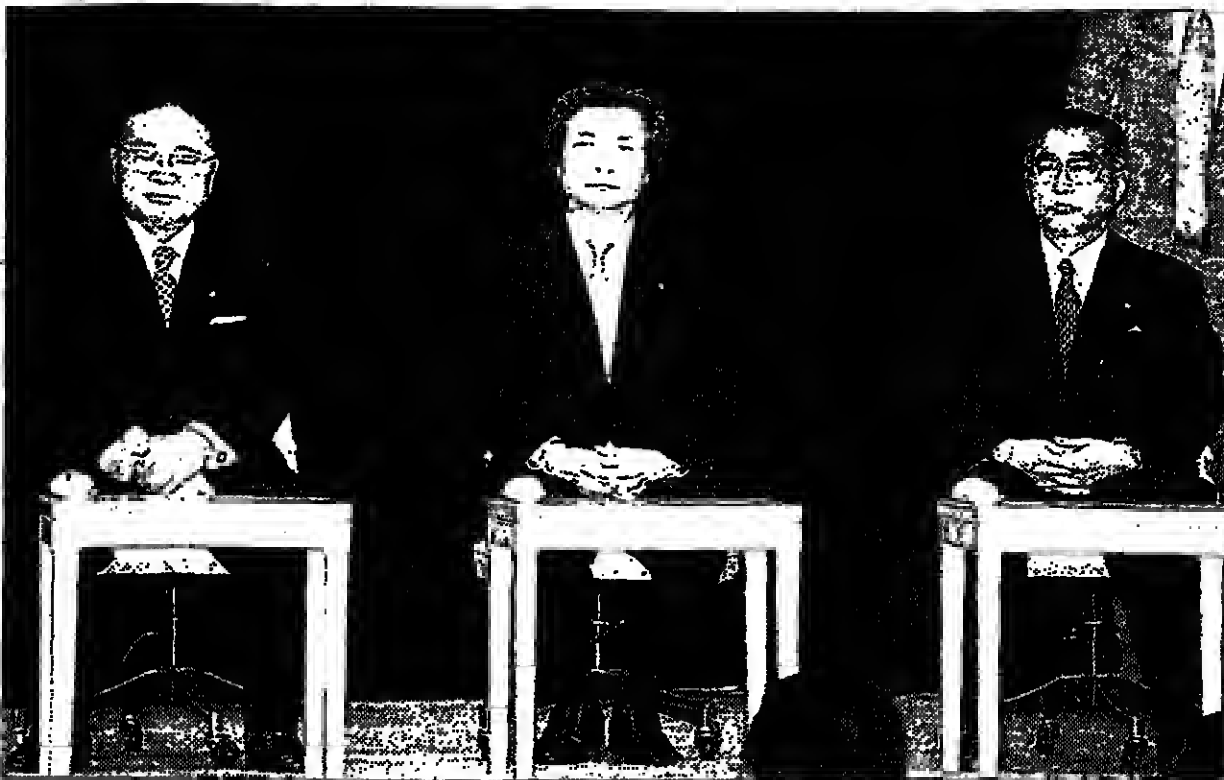
man and Swiss banks for wartime loss. The disappearance emerged from an unpublished report by the Federal Archives office here, according to German officials. The report covered the Archives' abortive efforts last year to provide U.S. investigators with details of the files which, among other things, tally the amounts of dental gold delivered to Berlin after being pried from the mouths of Jews at Auschwitz.

The files were named for Bruno Melmer, a notorious SS officer whose job between 1942 and 1945 was to amass gold and jewelry stolen from Jews in Auschwitz and other death camps — part of a massive Nazi effort to accumulate looted gold to finance Adolf Hitler's burgeoning war effort.

The biggest portion of Nazi Germany's gold was sold to the Swiss National Bank in return for convertible Swiss francs used to purchase raw materials for the manufacture of munitions. A report by a Swiss historians' panel this year said Nazi Germany stole gold worth \$146 million at wartime prices — nine times as much today — from individuals, including Jews, and plundered a further \$475 million at wartime prices from the central banks of occupied lands.

The figures are significant because of a series of claims against Swiss in-

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From left, Seiroku Kajiyama, Junichiro Koizumi and Keizo Obuchi appearing together at Liberal Democratic Party headquarters in Tokyo on Thursday to make campaign speeches of a more traditional variety.

Japan Politics Get All Soft and Fuzzy

Prime Minister's Race Turns Into Display of Populist Democracy

By Kevin Sullivan
Washington Post Service

TOKYO — Japanese voters have learned this week that Keizo Obuchi's favorite song is "There Goes Ryoma" and that his zodiac sign is Cancer. And they have watched him serve pizza to reporters.

Voters have also heard that Seiroku Kajiyama's motto is "Love for hometown never dies" and that he is sorry he said nasty things about American blacks a few years ago.

And they have discovered that Junichiro Koizumi admires Winston Churchill and is one of the few men in Japanese politics who would be caught dead in a powder blue suit.

That may not seem like much to reveal, considering the often-toothsome things Americans and Europeans know about their political leaders. But for Japan's starry Liberal Democratic Party, it is practically a public striptease, making this about the most unorthodox week anyone can remember in Japanese politics.

On Friday, the governing LDP will elect Mr. Obuchi, the foreign minister; Mr. Koizumi, the health minister, or Mr.

Kajiyama, a party veteran, as its new president. The winner will almost certainly be installed as prime minister when Parliament convenes on July 30, replacing Ryutaro Hashimoto, who resigned after the party's dismal showing in parliamentary elections last week.

At least two polls show that Mr. Obuchi continues to be a strong favorite among party members, with Mr. Koizumi running second. One poll said that Mr. Obuchi had close to the outright majority required to win the job on the first ballot.

But polls also show that Mr. Koizumi and Mr. Kajiyama are far more popular with the Japanese public, which may be a factor among party members who want a leader who can win back an angry public.

After the party's drubbing by voters, its public approval rating has dipped to a record low of 20.7 percent, only 2 points higher than the opposition Democratic Party of Japan, according to a poll in the Yomiuri Shimbun.

To repair their battered image, the Liberal Democrats have turned their normal, bloodless succession selection process

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Indonesia's Growing List of Woes

By Keith B. Richburg
Washington Post Service

JAKARTA — Indonesia has a food problem. It is not that food is not available, it's that most people cannot afford the sky-high prices for basic goods, so they are cutting back on how much, and how often, they eat.

Indonesia has a law-and-order problem as well. Angry, hungry and no longer fearful of the authorities, people across the country have been attacking rice mills, looting shrimp ponds and occupying golf courses to plant their crops in the rough. They also have begun confiscating farmlands owned by family members of the deposed President Suharto.

And Indonesia has a growing secession problem. Demonstrations demanding autonomy in East Timor have spread to the country's other independence-minded province, Irian Jaya, and are becoming a source of concern for the government. President B.J. Habibie, Mr. Suharto's successor, said in an interview Saturday that he was worried about the possibility that centri-

petal pressures could tear the country. Two months after Mr. Suharto left office in disgrace and Mr. Habibie said he would support moving toward democracy, this archipelago of more than 200 million people appears dangerously close to chaos.

The shift from three decades of authoritarianism has unleashed long pent-up passions and frustrations, fueled by a deteriorating economy, which is causing suffering for great numbers of Indonesians.

Looting in East Java has sparked a new exodus of ethnic Chinese merchants fleeing for their lives, and here in the capital some expatriates and wealthy Chinese have started arming themselves for protection.

Meanwhile, the armed forces, which last weekend issued a warning of a crackdown against lawlessness, appears powerless to stop the disorder. The military's credibility is in tatters because of revelations linking units to the abduction and torture of democracy activists, to the fatal shooting of four students at Trisakti University on May 12 and possibly even

to the violent riots and the gang rapes of Chinese women on May 14.

Those riots, once thought to have been a spontaneous outburst, now appear to have been an orchestrated campaign against the ethnic Chinese minority, which has long served as a scapegoat for Indonesian social problems.

Witnesses have told of groups of fit-looking young men arriving in trucks at shopping centers and Chinese-owned stores, shouting anti-Chinese slogans and exhorting local residents to pillage them. At least 168 Chinese women and girls as young as 10 were gang-raped, often in front of their parents, and some were then set ablaze and killed. Some survivors have been sent photographs taken as they were being assaulted, as a form of intimidation.

"It's a Bosnia," said Marzuki Darusman, deputy chairman of the National Human Rights Commission. "It comes out of a page from Yugoslavia." He said the same military units allegedly behind the abductions were probably behind the

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Japan Takes Fresh Blow As Its Credit Is Reviewed

Dow Falls for a 4th Day As Concerns Over Asia Cast Shadow on Market

By Sandra Sugawara
Washington Post Service

TOKYO — Moody's Investors Service Inc. warned Thursday in a critical assessment of Japan's economic leadership and outlook, that it was considering cutting the country's top-grade credit rating.

Losing the Aaa rating, the highest given by the influential U.S. credit-rating agency, would be a further blow to Japan and another indication of the spiraling fortunes of the onetime economic powerhouse. It could also make it more costly for the Japanese government and its major corporations to raise capital, at a time when concerns are mounting that the economic crisis in Japan and the rest of Asia is spilling over into the United States.

The warning sent stocks and currencies sharply lower Thursday across Asia and Wall Street. The Dow Jones industrial average tumbled for a fourth day, closing 195.93 points lower, at 8,932.98. (Page 14)

Adding to investors' concerns were remarks made Wednesday by the U.S. Federal Reserve chairman, Alan Greenspan, that Asian economies were in the grip of a "vicious cycle" of falling consumer confidence and declining productivity. (Page 13)

The Moody's review, expected to take up to three months, could prompt Japan's new leadership to enact more aggressive reforms to head off the ratings downgrade, analysts said. The Moody's announcement came on the eve of elections Friday to pick a successor to Prime Minister Ryutaro Hashimoto, who resigned after his failed economic policies led to a stunning setback in recent legislative elections.

Moody's said the decision to review Japan's rating had been "prompted by deep structural problems in Japan's economy that have defied conventional policy remedies." It noted "an apparent lack of consensus" among Japan's leaders on a strategy for reforming the economy. The agency also cited a "public-sector fiscal problem that, unlike most other highly rated countries, will likely continue to worsen over the medium term."

Moody's said it was concerned about the potential for "volatile portfolio

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The Dollar			
New York	Thursday 8:44 P.M.	Previous Close	
DM	1.7858	1.7868	
Yen	141.325	141.15	
FF	5.987	5.997	
Pound	1.6513	1.6432	
Dollars per pound			
The Dow			
Thursday close			
Percent change			
—195.93	8,932.98	—2.15%	
S&P 500			
—24.32	1,139.76	—2.09%	
Nasdaq			
—34.53	1,935.22	—1.75%	

AGENDA

McCurry Leaving White House

WASHINGTON (AP) — The White House spokesman, Michael McCurry, will step down in the fall, President Bill Clinton announced Thursday. The deputy White House spokesman, Joe Lockhart, was appointed to succeed Mr. McCurry.

Mr. Clinton made the announcement in a rare appearance in the White House press briefing room at the start of Mr. McCurry's daily briefing. "The long-awaited coup in the press office is finally taking place," he said, adding that Mr. McCurry was departing "much to my regret."

The announcement ended months of speculation that Mr. McCurry would depart. He did not reveal his plans.

Chicago Hedges Bets On Coaching Choice

Tim Floyd was hired by the Chicago Bulls on Thursday, but he will not take the job of head coach right away.

He will become director of basketball operations, with the coaching job left open until the NBA lockout is resolved and the futures of the former coach Phil Jackson and the players Michael Jordan and Scottie Pippen become clear. Jackson's agent, however, squelched the idea, saying, "He's not coming back." Page 20.



Michael McCurry discussing his resignation plans on Thursday.

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Tour Scandal Broadens

Drug Inquiry Ensnarers 2d Team as Officials From TVM Are Detained With Festina Riders

By Samuel Abt
International Herald Tribune

TARASCON SUR ARIEGE, France. — The drug scandal enveloping professional bicycle racing and the Tour de France widened Thursday as three more officials and nine riders of a French team were taken into custody and four officials of a Dutch team were being questioned by the police.

The three officials of the French-based Festina team are two assistant coaches, Miguel Moreno and Michel Gros, and the team's manager, Joel Chabiron. Chabiron was later released, and did not comment.

Also held were the nine riders of Festina — the sport's top-ranked team — who started the Tour on July 11 in Dublin. They include two former favorites in the world's major bicycle race, Richard Virenque and Alex Zülle, and the road race champion, Laurent Brochard.

The riders and officials were ordered held in Lyon pending a judge's decision whether to place them under formal investigation. They were not placed under formal arrest but were due to spend the night in a police station.

The riders were expelled from the race late Friday after their coach said from jail that he had supplied them with

such illegal performance-enhancing drugs as the artificial hormone EPO. They have denied guilt. The team's doctor, who is also in jail, has since said the riders contributed a total of \$70,000 to a pool to buy the drugs — an allegation they also have denied.

The case against Festina began July 8 when a masseur for the team was stopped at the French-Belgian border in a car issued by the Tour de France. It allegedly was carrying a huge quantity of illegal performance-enhancing drugs. The masseur also is being held.

In a similar case, a car bearing the insignia of the TVM team from the Netherlands was seized by the police in March near the French city of Reims and said to be bearing drugs.

Although two mechanics were arrested and a quantity of the artificial hormone EPO was found, the TVM case languished until Thursday.

The police arrived at our hotel while we were at breakfast and took away the team's coach, Coes Priem, its doctor, Andre Michalov, and an unidentified mechanic, according to Guido van Calster, the team's manager.

An assistant coach, Hendrik Redant, was brought in for questioning later in the day. Redant and the mechanic were

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'Everything Is A-O.K.' / From One-Room School to the Moon

Shepard's Trajectory to American Hero

By John Noble Wilford
New York Times Service

NEW YORK — On the morning of May 5, 1961, Alan Shepard became an immediate American hero. A lean, crew-cut former Navy test pilot, then 37, he began the day lying on his back in a cramped Mercury capsule atop a seven-story Redstone rocket filled with explosive fuel. After four tense hours of weather and mechanical delays, he was shot into the sky on a 15-minute flight that grazed the fringes of space and ended in a splashdown in the Atlantic Ocean.

Though not much by today's standards, the brief suborbital flight had stopped a whole country in its tracks, waiting anxiously at radios and television sets. When the message of success came through — with a phrase that would enter the idiom, "Everything is A-O.K." — everyone seemed to let out a collective sigh of relief.

The education of Alan Shepard Jr. began in a one-room school in New Hampshire, and his career as a navy pilot moved along typically. All that changed with the dawn of the space race.

The former U.S. astronaut, who died Tuesday at the age of 74, was born in 1923, in East Derry, New Hampshire, where his father, a retired army colonel, was in the insurance business. Young Alan took odd jobs at a local airfield to learn more about planes.

He went to high school at Pinkerton Academy in nearby Derry and then on to the U.S. Naval Academy, where he graduated in 1944. He served briefly in the Pacific in World War II before turning to aviation.

Then, there was flight training in Texas and Florida and service on aircraft carriers in the Mediterranean. He entered test-pilot training at Patuxent River, Maryland, elevating himself into the elite of military aviation. When the National Aeronautics and Space Administration asked 110 test pilots to volunteer to be astronauts, Mr. Shepard made the list and was one of the seven chosen ones.

Recalling the early days in the astronaut corps, a fellow astronaut, John Glenn, said Wednesday: "That group was tossed into a maelstrom of activity, attention, travel and training in preparation for those early Mercury flights. It became obvious to all of us very early in our training that Al was a highly intelligent, dedicated leader whose high motivation toward accomplishing our mission was a true inspiration to all."

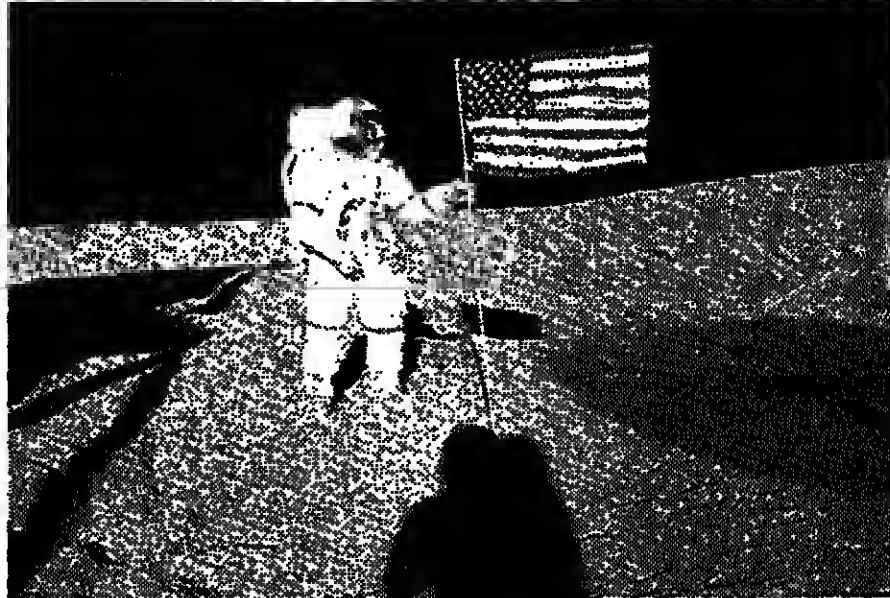
The seven astronauts were highly competitive, each vying to be first to fly in space, and Mr. Shepard often seemed to be the most determined, self-confident and cockiest of the group. As the author Tom Wolfe wrote years later in "The Right Stuff," Mr. Shepard presented two different faces to his colleagues, "both the icy Commander and Smilin' Al," but he "set a standard of coolness and competence that would be hard to top."

Mr. Shepard made no secret of his intense dislike of Mr. Wolfe's book, particularly some of its character studies and its concentration on some of the astronauts' after-hours pursuits. On tour promoting his own book, "Moon Shot," written with another astronaut, Donald Slayton, Mr. Shepard often said, "We wanted to call ours 'The Real Stuff,' since his was just fiction."

Mr. Shepard was among three finalists for the first flight, the others being Virgil Grissom and John Glenn. The decision was made several weeks before the launching but was not announced until May 2. By that time, the one chosen knew he would be only the first American in space, not the first ever.

American space managers had originally scheduled a piloted Mercury launching in March, but some problems with a chimpanzee-flown test in January troubled the engineers, who decided the March flight would be another unmanned test.

On April 12, the Russians continued their string of space triumphs by putting Yuri Gagarin in space for a full orbit. The historian Walter McDougall, in his book "The Heavens and the Earth: A Political History of the Space Age," wrote that "Gagarin's flight was a second Sputnik" and when Mr. Shepard's flight three weeks



Alan Shepard, left photo, with his wife, Louise, at a dinner in his honor at Walt Disney World last year. Mr. Shepard, above, posing with an American flag on the Moon. He became the first American in space on May 5, 1961, blasting off aboard a Redstone rocket, right.

later lasted only 15 minutes on a suborbital trajectory. "The space gap, in the eyes of the world, had widened."

In the power rivalry of the Cold War, the space race had become a kind of moral equivalent of war, and in those early years after the first Sputnik satellite in October 1957, the Soviet space forces seemed to be winning hands down. The United States felt its prestige ebbing with each Soviet launching.

Indeed, the Soviet press agency Tass sneered that the Freedom 7 flight "cannot be compared with the flight of the Soviet space ship Vostok." Mr. McDougall noted that a poll taken after the Shepard flight revealed that Western Europeans believed the Soviet Union to be ahead in total military strength by 41 percent to 19 percent, and in overall scientific achievement by 39 percent to 31 percent.

On that May 5 morning, these things were not on Mr. Shepard's mind.

Because of the many delays, he had an unrelenting urge to urinate, but no way to get relief in his silver space suit. He kept pleading with the controllers for a break. They would not relent.

Mr. Shepard described the experience in "Moon Shot." "You heard me," he radioed to the controllers. "I've got to pee. I've been in here forever. The gentry is still right here, so why don't you guys let me out of here for a quick stretch?"

"No way, Alan," replied another astronaut, Gordon Cooper, after a consultation with Dr. Werner von Braun, the rocket scientist.

Finally, Mr. Shepard suggested that he be allowed to urinate in his suit. But that might short-circuit the medical sensors, came the reply. "Tell 'em to turn the power off," the desperate astronaut ordered.

So they did, and so relief finally came to Mr. Shepard, not long before he made history.

In a decision by President John Kennedy, which contrasted with the Soviet policy of secrecy, the launch was broadcast live on radio and television. The capsule separated smoothly from the rocket.

A few minutes into the mission, Mr. Shepard took over manual control from the autopilot, putting the craft through some prescribed ma-

neuvres. For five minutes, at maximum altitude and traveling more than 5,000 miles (8,000 kilometers) per hour, the astronaut experienced the weightlessness of space.

"Boy, what a ride!" he said later. Yet, he said, the trip was "pleasant and relaxing," with no effect on his movements and efficiency.

The flight was almost flawless, and so was the splashdown in the Atlantic. "On the way to the carrier I felt relieved and happy," the astronaut said later. "I knew I had done a pretty good job."

Whether or not he used the expression "A-O.K." is problematic. Years later, a reporter asked Mr. Shepard if he had indeed said it, and where the term came from.

"Ask Shorty Powers," he said enigmatically, referring to Colonel John (Shorty) Powers, who was press officer to the first astronauts.

It was Colonel Powers who had passed on the quote to reporters.

EVERYTHING did seem to come up A-O.K. Three days later, Mr. Shepard and his wife, the former Louise Brewer, were entertained by the Kennedys at the White House, then whisked to New York for a ticker-tape parade.

Behind the scenes, space, military and budget officials were meeting to draw up recommendations for taking bold new steps to catch up with and surpass Soviet space achievements. A memorandum, handed to Mr. Kennedy the day of Mr. Shepard's White House visit, concluded, "Of all the programs planned, perhaps the greatest unsupervised prestige will accrue to the nation which first sends a man to the moon and returns him safely to Earth."

On May 25, Mr. Kennedy told Congress, "This nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to Earth. No single space project in this period will be more impressive to mankind or more important for the long-range exploration of space. And none will be so difficult or expensive to accomplish."

John Logsdon, a political scientist at George Washington University and author of "The De-

cision to Go to the Moon," said it was doubtful that Mr. Kennedy would have issued such a challenge if the Shepard flight had failed.

At a dinner celebrating the 30th anniversary of the flight, Mr. Glenn said: "Al's flight and my flight — it was almost like we turned a corner. There was a feeling we were coming back. There was a great outpouring of public spirit."

Mr. Shepard called it "just the first baby step, aiming for bigger and better things." His words would be echoed eight years later by Neil Armstrong as he stepped on the Moon with the declaration, "One small step for man, one giant leap for mankind."

Mr. Shepard almost did not make it to the Moon himself. Before he could train for a second space flight in the Gemini Project, he developed inter-ear problems. Thomas Stafford, a retired astronaut, recalled Wednesday that he and Mr. Shepard had been chosen for the first Gemini mission.

"It was a huge blow in his life," Mr. Stafford said of the medical problems that grounded Mr. Shepard. "He was anxious to get back into space, to ride again."

Instead, for nearly a decade, Mr. Shepard was firmly rooted to NASA managerial jobs, mainly directing the astronaut corps. Mr. Stafford recalled him as a natural leader, who operated "with more stick than carrot and would lay down the law, saying here's how it's going to be, guys."

After surgery to correct the ear problem in 1968, Mr. Shepard was cleared to fly again and was assigned to what turned out to be the third lunar landing. Although his first flight had been only 15 minutes, the Apollo 14 journey to the Moon added 216 hours to his log book and rounded out an astronaut career that also included a Congressional Space Medal of Honor.

In his last years, he still had time for work promoting the space program and had joined the other surviving Mercury astronauts, and Betty Grissom, the widow of Mr. Grissom, in founding the Mercury Seven Foundation, based in Titusville, Florida, near Cape Canaveral. The foundation raises money for scholarships for science and engineering students in college. He was its president and chairman until October.

Arms-Buying By Ethiopia And Eritrea Presages War

By Raymond Bonner
New York Times Service

Two African countries that had seemed to be on the road to peace and the beginnings of prosperity are buying expensive weapons in preparation for a full-scale war that many officials fear will involve peasant armies and result in instability and another crisis in the Horn of Africa.

The buying spree by Ethiopia and Eritrea — for helicopters and pilots and rifles and bullets and so on — is a setback for President Bill Clinton, who has tried to prevent the conflict, which has simmered since May.

The World Bank, Japan and other aid donors that had been smiling on both countries in recent years fear that a war and heavy military spending will seriously impede nascent economic development.

Desperate to head off a war, the Clinton administration has decided that it will suspend sales of weapons and war material to the two countries, U.S. officials said this week.

The action is quite unlikely, however, to keep the peace. Ethiopia and Eritrea are having no trouble finding countries that are willing to sell weapons, notably China, Bulgaria and Ukraine, arms bazaars where the only question is, "Can you pay?"

China, long a major arms supplier in Africa, has shipped Ethiopia rifles and ammunition, and more has been contracted for, U.S. officials said. For the Eritreans, at least nine Ukrainian cargo planes loaded with Bulgarian-made Kalashnikov rifles, ammunition and grenades have arrived in the last week, according to Western officials and accounts in the Bulgarian press.

The Bulgarian company that flew the weapons, Air Sofia, has 10 additional flights scheduled for the next few days from Burgas, a Bulgarian port, to Asmara, the Eritrean capital, aviation officials in Turkey said Wednesday. Turkey has given permission to fly over its territory.

Air Sofia, which has been accused before of transporting smuggled weapons and other goods, declined to answer questions.

Although the Clinton administration is alarmed about the prospects of war, it has not tried to stop those countries from selling to Eritrea and Ethiopia, U.S. officials in Washington and Europe said.

It is not clear that the administration would have any success if it tried to stop the shipments. "We could at least make some noises," an administration official said.

The relative ease with which Eritrea and Ethiopia are able to procure weapons reflects the sprawling of buyers' markets, particularly in former Communist countries, and an absence of international agreements to control the spread of light weapons.

A nonproliferation agreement, the so-called Wassenaar Arrangement, which was concluded two years ago with U.S. support in the Dutch city for which it is named, has proved largely ineffective at stopping weapons transfers.

Shooting between Ethiopia and Eritrea broke out in May, when Eritrean troops marched into a small rocky area just inside Ethiopia that both countries claim. But the feud is just as much about economics. Last year, Eritrea introduced its own currency, leading to a punishing trade war.

TRAVEL UPDATE

Strike Doesn't Stop Philippine Air

MANILA (AP) — An indefinite strike by thousands of ground crew at Philippine Airlines entered its second day Thursday, but management said the carrier had not canceled any flights.

The national flag carrier expressed confidence that it could continue to function normally for an extended period, adding that it would go ahead with all 21 domestic and 7 international flights scheduled for Thursday despite the strike by the 8,000-member union protesting mass layoffs.

"Philippine Airlines continued its unhampered operations" without any canceled flights, a company statement said.

The strike also failed to paralyze operations at Manila's international airport, even though ground crews service as

many as 23 of the 32 international airlines that fly into the country.

Spanish Airport Strike Called Off

MADRID (AP) — Labor unions Thursday called off a planned strike at Spanish airports that was to take place over three key vacation days beginning July 31.

The stoppage was annulled after union and management representatives reached an agreement on wages and productivity for the next four years. The unions had called the 8,000 airport employees to stop work.

A nationwide general strike in Greece Thursday disrupted traffic, airline and passenger ship schedules and closed most public services. All state-run banks, post offices and the telephone company closed down for the day as part of the 24-hour protest against government austerity measures aimed at bringing the country's economy in line with the rest of the European Union. (AP)

Mount Etna spouted volcanic rocks and ash as far as 10 kilometers (6 miles) Thursday, in what experts said was the Sicily volcano's most violent eruption in two years. Scientists said the eruptions meant the thick, fiery magma of Europe's tallest and most active volcano had risen almost to the tip of its central crater and that the activity was likely to continue for a few more days. (Reuters)

Beachgoers in Italy will have to sit under the blazing sun or pack their own umbrellas July 31 when beach establishments across the country keep their shut in a protest called by beach workers. The strike is expected to affect thousands of kilometers of Italy's coastline. (Reuters)

WEATHER

Forecast for Saturday through Monday, as provided by AccuWeather.

Europe				Asia			
Country	High	Low	Wind	Country	High	Low	Wind
Algeria	29/31	21/27	W	China	32/34	24/26	W
Austria	19/24	11/12	W	India	32/34	24/26	W
Belgium	19/24	11/12	W	Indonesia	32/34	24/26	W
Denmark	19/24	11/12	W	Japan	32/34	24/26	W
France	19/24	11/12	W	Korea	32/34	24/26	W
Germany	19/24	11/12	W	Malaysia	32/34	24/26	W
Greece	19/24	11/12	W	Philippines	32/34	24/26	W
Ireland	19/24	11/12	W	Singapore	32/34	24/26	W
Italy	19/24	11/12	W	Taiwan	32/34	24/26	W
Spain	19/24	11/12	W	Thailand	32/34	24/26	W
Sweden	19/24	11/12	W	Vietnam	32/34	24/26	W
Switzerland	19/24	11/12	W				
UK	19/24	11/12	W				
US	19/24	11/12	W				

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THE AMERICAS

New Success In Cloning Of Animals

Production of Lab Mice
Likely to Speed Research

By Rick Weiss
Washington Post Service

WASHINGTON — The announcement by scientists in Hawaii that they have created dozens of cloned mice marks the first documented cloning of adult mammals since researchers in Scotland announced the birth of a sheep last year.

Researchers predicted that the new ability to study and practice cloning in a laboratory animal as convenient as the mouse would quickly lead to the discovery of even better techniques for cloning various animals — including, almost certainly, people.

Indeed, one of the key findings of the new work is that a biological roadblock that scientists thought might interfere with their ability to clone mice and people is not insurmountable in mice after all.

This suggests that human cloning is also achievable with relative ease.

With anti-cloning legislation stalled in Congress and a growing number of experts touting the potential benefits of cloning as an answer for human infertility or other conditions, several experts said they now believed that the birth of a cloned person was inevitable.

"I'm absolutely convinced it will happen," said Lee Silver, a professor of genetics at Princeton University, "and I think it will happen sooner than we thought a year ago."

Professor Silver said he would not be surprised if a person were created by a cloning technique within the next five years.

Separately, two teams of scientists reported Wednesday they had proved beyond doubt by DNA fingerprinting that the sheep in Scotland — Dolly is her name — is really a clone: a perfect genetic copy of the adult sheep from which she was made. Some scientists had disputed her authenticity after several efforts to repeat the experiment in other species had failed.

The new reports, which appeared in Thursday's issue of the journal *Nature*, prove there are at least two different ways to clone mammals.

Although the method used by the researchers in Hawaii can be used to clone only females for now, scientists said they suspected the approach will be improved upon to work with both sexes and in other kinds of animals.

"These are exciting results," said Jan Witmit, the scientist who told an astonished world 17 months ago that he and his colleagues had cloned Dolly. "They suggest it will be possible to produce adult clones from a range of different cell types and species."

The cloning of the mouse was achieved in the laboratory of Ryozi Yanagimachi, a pioneer in rodent biology at the University of Hawaii.

He encourages his students to work three days a week on their "official" laboratory work and two days a week pursuing novel or speculative interests in the lab.

"I encourage them to ask crazy questions," Professor Yanagimachi said in an interview.

"Nine out of 10 will be truly crazy questions, but one will lead to something important."

Teruhiko Wakayama, a 31-year-old postdoctoral researcher, took that philosophy to heart. Without telling his mentor, he began to experiment with cloning techniques.

One day last August, Professor Yanagimachi said, Mr. Wakayama called him over to his lab bench.

"He showed me a mouse fetus with the heart beating and said, 'This is a clone.'"



EVICITION PROTEST — A resident of the Jardim Falcão neighborhood in São Bernardo do Campo, Brazil, trying to stop police from advancing during an eviction operation. At least 12 people were injured as police used tear gas to remove 1,000 residents whose property, authorities said, had been illegally purchased.

Clinton's Secretary Testifies Again on Lewinsky

By Susan Schmidt and Paul W. Valentine
Washington Post Service

WASHINGTON — President Bill Clinton's personal secretary, Betty Currie, has made what her lawyer said is her final grand jury appearance, yet another sign that Kenneth Starr's six-month-old investigation of the Monica Lewinsky matter appears to be moving to conclusion.

Also at the federal courthouse Wednesday was Linda Tripp, who set the investigation in motion by giving Mr. Starr, the independent counsel, secretly recorded tapes of Ms. Lewinsky talking about an alleged affair with Mr. Clinton.

Ms. Tripp's tapes are now the subject of a Maryland grand jury investigation into whether they were illegally made, and the state prosecutor, Stephen Montanarelli, denied Wednesday that his investigation was politically motivated, releasing a four-page account of his talks with state Democrats and Ms. Tripp's lawyers.

Ms. Currie, summoned by Mr. Starr as his first

witness Jan. 27, has testified five times before the federal grand jury looking into whether Mr. Clinton had a sexual relationship with Ms. Lewinsky and urged her to lie about it under oath. "We believe that Mrs. Currie has completed her grand jury testimony," her lawyer, Lawrence Wechsler, told reporters.

Sources have said that Ms. Currie turned over to Mr. Starr gifts from Mr. Clinton that she retrieved from Ms. Lewinsky when lawyers for Paula Jones sought them under subpoena. Ms. Currie was also involved in helping Ms. Lewinsky get some high-level job assistance from a friend of Mr. Clinton's, Vernon Jordan Jr., and the chief U.S. delegate to the United Nations, Bill Richardson, who testified before Congress about it Wednesday.

Mr. Richardson, who is Mr. Clinton's nominee to be secretary of energy, was questioned under oath during his Senate confirmation hearing about a job offer he made to Mr. Lewinsky last autumn. Under questioning by Senator Frank Murkowski, the Alaska Republican who is chairman of the Energy and Natural Resources

Committee, Mr. Richardson said his friend John Podesta, who is a deputy White House chief of staff, called him and asked if he would interview Ms. Lewinsky, then at the Pentagon press office.

"He said this was a friend of Betty Currie," Mr. Richardson said. "He asked me as a favor to Betty to interview her," adding that Mr. Podesta "did not even know what her name was when he asked me to interview her."

Mr. Richardson said he and two aides met with Ms. Lewinsky in October in a Watergate Hotel suite he often used in Washington. "She was impressive," Mr. Richardson told the committee. "I remember my chief of staff being impressed with Ms. Lewinsky's gregariousness, her ability to express herself. She came very well-prepared."

Mr. Murkowski said he found it "curious" that Mr. Richardson would be interviewing applicants for a \$30,000-a-year political outreach job. But Mr. Richardson said it was "a very normal procedure" for him to sit in on interviews.

CNN Pays Admiral Over Retracted Nerve-Gas Report

Washington Post Service

WASHINGTON — Retired Admiral Thomas Moorer says he is pleased that CNN made a financial settlement with him over his role in the now-retracted report that U.S. soldiers used nerve gas during the Vietnam War.

"I wouldn't have reached a settlement if I wasn't pleased with it," the former chairman of the Joint Chiefs of Staff said Wednesday. "I don't want to get into a great big suit that goes on and on. People that know me know I was being misquoted."

A CNN spokesman, Steve Haworth, confirmed that the network had settled with Admiral Moorer. Sources at the network said they could not disclose the payment involved because of a confidentiality agreement, but they made clear they did not relish the prospect of a Moorer lawsuit over charges that they now say cannot be supported.

In the report, Admiral Moorer, 86, was shown making comments that appeared to confirm the use of nerve gas.

Gay Candidate Seeks to Make History

A Lesbian Mom, Nurse and Veteran Is Out to Unseat a Congressman

By Timothy Egan
New York Times Service

EVERETT, Washington — Although she has never run for office before, Margaret Cammermeyer would seem to have a résumé tailor-made for politics: She is a mother of four, a nurse with a Ph.D., a retired army colonel and a Vietnam veteran who won the Bronze Star.

But the one thing that voters in this fast-growing district north of Seattle are sure to hear about Ms. Cammermeyer in her run for Congress is that she also is a homosexual. Or, as Representative Jack Metcalf, the Republican incumbent, called her in a recent mailing, "a controversial lesbian."

As one of four lesbians running for national office this year, Ms. Cammermeyer is trying to do something no one has ever done: become the first openly homosexual nonincumbent elected to Congress.

"This year, the American people are poised to make history," said Winnie Stachelberg, political director of the Human Rights Campaign, the nation's largest gay political organization. "Any one of these candidates could do it. But

Colonel Cammermeyer seems very well-positioned."

Not so fast, say Republican strategists. Sensing voters' hesitation, if not outright queasiness, about homosexuality, Republican leaders have condemned it with renewed vigor lately.

Senator Trent Lott of Mississippi, the majority leader, has compared homosexuality to kleptomania, and Republican leaders in the House have been citing the Bible in an effort to prove that homosexuals are sinners.

A career military woman, Ms. Cammermeyer was thrust into the national spotlight six years ago when she was forced out of the National Guard after acknowledging that she was homosexual. She sued for reinstatement, and won. But she has never been a crusader, she said, and her run for public office now is not intended as a pioneering effort on behalf of gay rights. And yet, she has already run into enough cold stares and withdrawn hands to realize that running for Congress is far different than serving in the army, she said.

"When you go to shake somebody's hand and they put their hands under their armpits — that hurts," she said. "In the military, everybody salutes — it's a basic way of acknowledging someone."

Although her campaign is well-financed — she has raised more than \$500,000 so far — and she is trying to unseat a 70-year-old congressman who was re-elected in 1996 by only 1,927 votes out of 256,944 votes cast — Ms. Cammermeyer still faces an uphill race.

"For better or worse, when you vote for the colonel you are making a statement about sexual orientation," said Paul Newman, a longtime Republican strategist. "In that sense, she has probably actually shored up some of the support for Jack Metcalf."

In a May fund-raising letter, Mr. Metcalf sharply criticized Ms. Cammermeyer for her "lesbian lifestyle." But his campaign manager, Chris Strow, said Mr. Metcalf would no longer raise the issue of sexual orientation.

Often, Ms. Cammermeyer campaigns with one of her sons or grandchildren. She is liberal on most issues, but then says she has a license to carry a concealed gun and was a sharpshooter in the army.

"People have created this illusion about me and my history," she said. "They forget that I'm a nurse, a soldier, a mother and a grandmother."

Ball Goes Back to Reno Over Election Funding

Report Calls For Independent Prosecutor

By David Johnston
New York Times Service

WASHINGTON — After a 10-month inquiry, the departing chief of the Justice Department's campaign finance unit has concluded in a confidential report to Attorney General Janet Reno that she has no alternative but to seek an independent prosecutor to investigate political fund-raising abuses during President Bill Clinton's re-election campaign, government officials said.

The prosecutor, Charles La Bella, delivered the report to Ms. Reno last Thursday as he prepared to return to San Diego this week to take over as interim U.S. attorney. In effect, after being chosen by Ms. Reno to revive an investigation that she had been criticized for neglecting, Mr. La Bella has marked his departure by challenging her to replace him with an outside counsel.

Mr. La Bella's report does not suggest that prosecutors are ready, or even close, to bringing a case against any top Democrats or administration officials, but contends only that their fund-raising activities warrant outside investigation. And in a legal analysis, Mr. La Bella concluded that Ms. Reno had misin-

terpreted the law creating an artificially high standard to avoid invoking the independent counsel statute, officials said.

Mr. La Bella's conclusions, coming from a seasoned federal prosecutor with full access to all grand jury evidence in the case, represent a serious internal fracture within the Justice Department. And the report seemed certain to provide Republicans with considerable leverage to intensify their demands that Ms. Reno step aside and let an outside prosecutor take over.

So far, she has refused to budge in her refusal to refer the case to outside counsel, and on Wednesday there was no indication that Ms. Reno seemed likely to reconsider her position. Last fall, Mr. La Bella had urged her to seek the appointment of an independent prosecutor to investigate fund-raising telephone calls by Mr. Clinton and Vice President Al Gore. But she rejected that recommendation.

Ms. Reno has said she carefully weighed the facts and the law before determining that the appointment of an independent prosecutor was not justified under the independent counsel law. She has defiantly blocked the appointment even in the face of a recommendation last fall from the FBI director, Louis Freeh, who urged her to seek an independent counsel.

Her unwillingness to seek the appointment has exasperated Republicans in Congress who have accused the Justice Department of a politically motivated effort to subvert the independent counsel law to protect upper-level Democratic Party and White House officials from searching scrutiny.

The report follows a tempestuous hearing last week, in which she faced withering questions by senators on the Judiciary Committee. Senator Fred Thompson, Republican of Tennessee, who led Senate campaign finance hearings last year, confronted Ms. Reno by quoting a confidential memo that Mr. Freeh sent to Ms. Reno in November 1997. He quoted Mr. Freeh as concluding, "It is difficult to imagine a more compelling situation for appointing an independent counsel."

Justice Department officials said Wednesday that Ms. Reno and Deputy Attorney General Eric Holder had received the report and were reviewing it. But they would not discuss specifics. Mr. La Bella would not discuss the report.

The officials said Mr. La Bella concluded that there was sufficient information to warrant the appointment based on the mandatory and discretionary provisions of the independent counsel statute, meaning that he found enough information to justify an outside investigation of high-level officials.

Away From Politics

• The Zodiac killer, Heriberto Seda, a gun-collecting loner who taunted police and terrorized New York City, has been sentenced to 83 years in prison for his six-year killing spree. (AP)

• Plano, Texas, a comfortable Dallas suburb, was described in a federal indictment of 29 people as a haven for smugglers and sellers of black tar heroin and cocaine. (AP)

• For \$4 a month, teachers and other school employees can buy insurance coverage from the Horace Mann Insurance Co. of Springfield, Illinois, protecting them if they are assaulted on the job. The company pledges to insure any school worker, no matter how dangerous his school. (AP)

POLITICAL NOTES

Senate Votes to Outlaw Gambling on the Internet

WASHINGTON — The Senate voted Thursday, 90 to 10, to ban gambling on the Internet.

The action, sponsored by Senator Jon Kyl, an Arizona Republican, would extend the current federal ban on interstate gambling on sports by telephone or wire to most other forms of gambling, including "virtual casinos" that allow interactive betting.

A similar bill outlawing Internet gambling is awaiting House action.

The Justice Department has estimated that \$600 million was wagered illegally over the Internet last year, a 10-fold increase over the previous year, an aide to Mr. Kyl said.

On an 82-to-18 vote, senators rejected an amendment by Larry Craig, Republican of Idaho, that would have exempted Indian tribes, which now are permitted to run Internet gambling sites.

Mr. Kyl objected to the exception, saying that an Indian-run site could be used by anyone with Internet access, creating a mammoth loophole.

Under the Senate bill, states could still use the Internet for lotteries and for off-track betting on horse or dog races if they conduct business computer systems inaccessible to the general public.

Internet gamblers could face fines, while those running gaming sites on the World Wide Web could face fines or imprisonment. (AP)

Republican Tussle Delays Funds for IMF

WASHINGTON — With Republicans in disarray, a House panel has withdrawn from

its agenda a foreign spending bill that would have provided money for the International Monetary Fund.

The move by the Appropriations Committee could delay until the end of September the replenishing of the fund's reserves, which financial crises in Asia and Russia have depleted.

Treasury Secretary Robert Rubin said Wednesday that an infusion of American money to the fund was imperative and that in the end he expected that the House would approve it.

But until then, the Clinton administration said, the House was putting American farmers and other workers in danger because worldwide demand for their exports was falling.

The Senate has already approved the administration's request for \$18 billion for the fund. The House appeared last week to have been set on the same course, especially after Representative Dick Armey, Republican of Texas, who is the majority leader and a strong foe of the IMF, conceded that supporters probably had the votes.

But his apparent acquiescence riled House conservatives, and on Monday, Mr. Armey reversed himself, vowing a floor fight to block the \$18 billion.

His reversal is a symptom of the struggle for leadership of the House between Mr. Armey and Representative Robert Livingston of Louisiana, who is chairman of the Appropriations Committee. Both men want to be speaker in the event that Newt Gingrich vacates the job to run for president. (NYT)

Clinton Signs IRS Bill

WASHINGTON — President Bill Clinton signed into law the most far-reaching reform of the Internal Revenue Service in four decades, subjecting it to greater outside oversight and imposing new limits on its sweeping powers over individual Americans. (LAT)

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ASIA/PACIFIC

Papuans To Seal Area Hit by Wave

Military to Let Bodies Rot Before Bombing Lagoon

Compiled in Our Staff From Papua New Guinea

VANIMO, Papua New Guinea — The military plans to seal off and blow up the lagoon that became a grave for thousands of victims of a tidal wave that struck the island last week, officials said Thursday.

The risk of disease had become too high for the soldiers searching the Sissano lagoon for bodies, armed with only shovels and paper masks, said Colonel Tokam Kanene.

He said barbed wire would be rolled out around the lagoon to keep out grieving survivors who have returned to their villages to bury relatives and pick through the wreckage.

The bodies that remain in the lagoon will be at the mercy of sharks, crocodiles and scavenging dogs now moving in on the district, military officials said.

Colonel Kanene said that after a month, when the bodies had decomposed in the tropical heat, the narrow sandbar that separates the lagoon from the Bismarck Sea would be bombed to allow ocean currents to carry the remains out to sea.

Sissano was devastated Friday night. Two undersea earthquakes, one of which measured 7.0 on the Richter scale, caused tidal waves of up to 10 meters (33 feet) that swept away half a dozen villages.

While the official death toll stood at 1,600 Thursday, local officials said they feared many thousands more had perished, although they believed the final number would never be known.

About 3,500 survivors have been accounted for. Up to 120 square kilometers (45 square miles) will be sealed off in an area that once was home to 6,000 to 10,000 people.

With the dead abandoned, the focus of the relief effort was on the living, ensuring that those who made it to safety are fed, clothed, sheltered and treated.

Although the first flood of injured has been brought to safety and attended to, doctors were faced with the prospect of dozens of cases of gangrene that had developed in festering wounds.

Exhausted Australian military doctors worked through the night Wednesday, performing five amputations after 13 gravely ill survivors were brought in from hospitals along the coast. They have carried out 22 amputations since Monday.

Colonel Kanene said the relief effort would now begin resettling thousands of villagers who found shelter in tiny inland hamlets after they fled their ruined homes. (AFP, Reuters)



Prince Norodom Ranariddh of Cambodia speaking Thursday in front of a statue of his father, King Norodom Sihanouk, at his party's headquarters in Phnom Penh.

U.S. Rejects Delay in Cambodia Elections

By Philip Shenon
New York Times Service

WASHINGTON — Despite warnings that elections in Cambodia this weekend will be marred by violence and be anything but free and fair, the Clinton administration says it wants to see the balloting carried out on time.

The hope within the administration, which is spending \$2.3 million to underwrite private groups that will monitor the election, is that Cambodians will rise above the intimidation and violence that have marked the election campaign and vote their conscience Sunday.

For months, the State Department has been pressed by human-rights groups and international election monitors who say that the United States and other foreign governments should demand a postponement of the election, given the climate of fear that exists among the Cambodian government's political opponents.

But the administration rejected the advice. If the election has even a semblance of fairness, U.S. officials say, it should result in a coalition government in which Second Prime Minister Hun Sen, who took sole power in a coup last year in which dozens of his political opponents were killed, will be forced to share authority with Cambodian leaders who enjoy far wider public support.

That is roughly what happened in 1993, when Cambodia held national elections that were the culmination of a \$2 billion United Nations peacekeeping operation intended to help the country rebuild after two decades during which it was shattered by civil war, the genocidal rule of the Khmer Rouge and foreign occupation.

The United States played a major role in the early 1970s as the patron of one side in the Cambodian conflict during the Vietnam War, and as a leading force behind the decade-long

isolation of Cambodia when it was occupied by Vietnam in the 1980s. The United States was also one of the five governments that negotiated the 1991 Cambodia peace accord.

"This is not going to be a perfect election, not at all," said a senior White House official who is involved in Cambodian policy. "But we need to give Cambodian voters the chance. If Hun Sen tries to steal the election, then we can blow the whistle."

The administration arrived at a policy — to support the election schedule, but to make no predictions about the fairness of the ballot and to be ready to declare it a sham — after a debate between the United States and its European allies over the ability of the Cambodian government to carry out a fair election.

The Europeans, led by the French, the former colonial power in Cambodia, have been far more optimistic in their public statements about the prospects for free elections. Unlike the United States, the European Union has donated millions of dollars directly to the government in Phnom Penh to help pay for the balloting. Washington is providing money solely to nongovernmental groups and to a special UN team.

Prominent human-rights groups say that the aid money is in danger of being wasted, and that there is every reason to believe that the election will be a sham unless postponed.

"The present political environment in Cambodia, in which opposition parties are not able to operate freely and safely, is in no way conducive to the holding of free, fair and credible elections," Human Rights Watch Asia said in a report last month.

Two private groups that are being paid \$700,000 by the United States government to monitor the elections, the National Democratic Institute and International Republican Institute, said in a statement last week that preparations for the election were "funda-

mentally flawed" and that "systematic and widespread political intimidation and violence have affected the ability of opposition parties to fairly compete."

Still, the groups said that opposition politicians were "actively participating" in the campaign and that, despite efforts by the government to intimidate voters, "the outcome of the election is not a forgone conclusion."

Election Rallies: Prayers for Peace

Tens of thousands of Cambodians filled the streets of the capital Thursday, as rival political parties held rallies and people said prayers for peace, Agence France-Presse reported from Phnom Penh.

As the election campaign drew to a close, nearly 30,000 supporters of Mr. Hun Sen's Cambodian People's Party, riding banner-strewn trucks and motorbikes, streamed through Phnom Penh. Smaller parties also conducted drive-by campaigns.

Cries of "Long Live Cambodia," "Long Live the CPP and Peace," reverberated through the streets as the ruling party's convoy toured the main boulevards of Phnom Penh.

Hundreds of people mobbed Prince Norodom Ranariddh, the first prime minister who was ousted last July by Mr. Hun Sen, as he visited the central market.

The prince, who has warned there could be unrest after the voting if his royalist FUNCINPEC party wins, said he was still concerned for the future.

"We have to be very cautious about the operation and the counting itself, and I still worry about what might come after," Prince Ranariddh said. "But I think the international community will prevent any use of violence."

The prince won UN-brokered elections in 1993 and was forced into an uneasy coalition with Mr. Hun Sen.

Will China's Army Retreat From Business Fronts?

Compiled in Our Staff From China

BEIJING — President Jiang Zemin's order for the Chinese Army to abandon its business empire drew mixed reactions Thursday, with some analysts calling it a mere warning but a top expert on China saying the army would go along.

The major newspapers, including the military's own Liberation Army Daily, carried front-page articles on the seemingly unequivocal order Wednesday to "clear and close down" all military-run businesses as a major contribution to the nationwide anti-smuggling drive.

Some analysts were skeptical, though. "I just think it's a warning shot across the bow by Jiang," a Western military expert based in Beijing said.

This expert stressed that it would be impossible to execute such an order, as China is years away from instituting a fully functioning budget to provide for all the needs of the 3.2 million-member People's Liberation Army, or PLA.

From its founding in 1927, two decades before the Communist revolution, all

units of the army have had to provide for themselves, he said, adding, "They don't have adequate budgets and over have."

The government's ability to crack the whip over the army, which retains considerable political influence, is also in question. "There are too many vested interests at stake," a Western diplomat said, adding that he did not think that the order would be followed "to the letter."

"And anyway, that would take years and years," he said.

But Richard Margolis, first vice president of Merrill Lynch Asia, told Reuters Television: "There are significant sections of the People's Liberation Army who are principally concerned with turning it into a really effective defense force. To those people, the PLA's fringe activities, its business activities, are actually not a terribly desirable part of the landscape."

Mr. Margolis, a former British diplomat in China, said that changes were unlikely to come quickly and that at first the moves would likely be on paper. "A

lot of these businesses are quite successful, and I don't think they're necessarily going to be shut," he said.

Ownership structures could change, and people running the businesses would "have to make up their minds to wear one hat and one hat only, which is a businessman's hat and not an army commander's hat as well," he said.

The military's business empire comprises about 15,000 companies, an analyst said. Some 1,000 to 2,000 companies are in industrial manufacturing. They employ tens of thousands of civilians and account for as much as 90 percent of total sales and profit of the army's business activities, he said.

PLA businesses are involved in almost every lucrative sector of the economy, from transportation to mining to real estate. The military's control of key radio frequencies makes it a big player in telecommunications.

Some 400 PLA pharmaceutical companies produce 10 percent of China's drugs, and the army's factories

make about 20 percent of its cars and trucks and half of its motorcycles. The military runs about 1,500 hotels, state media organizations have said.

In January, the official China Daily said exports from the military sector reached \$7 billion in 1997, half from civilian products.

The unlawful activities — piracy, profiteering, money laundering and black-market trading — have been tolerated since the mid-1980s, when the army was allowed to go into business to make up for revenue shortfalls and to increase troops' living standards.

But alarms were raised by the early 1990s when the cost of the economic reforms began to overtake the benefits of commercial activities, a military analyst said. "The more they continued within commercial activities, the problems were increasing," this analyst added.

The corruption continued despite a crackdown in 1993 that closed 40 percent of military commercial ventures. (AFP, Reuters)

Trade Status Renewed For a Year, China Asks U.S. to Drop Reviews

Reuters

BEIJING — China welcomed on Thursday the renewal by the U.S. House of Representatives of China's trading status and urged Congress to scrap its annual review.

"The approval is a wise decision and will be conducive to the advancement of the China-U.S. trade relations," said Hu Zhaoqing, a spokesman for the Ministry of Foreign Trade and Economic Cooperation.

The U.S. House, in a 264-166 vote, agreed Wednesday to one-year renewal of China's trading status, which admits Chinese products to American markets at the same tariffs as levied on most other countries' products.

The trading status, which used to be called "most-favored-nation," has been renamed "normal trade relations" because it applies to all

but a handful of America's trading partners.

Tang Guojiang, a spokesman for the Foreign Ministry, said, "The outcome of the voting demonstrates that it has become increasingly unpopular to use the granting of the MFN trade status as a means to undermine China-U.S. relations and their trade and economic ties."

Mr. Tang said he hoped Washington would find a permanent resolution to China's trading status and scrap the annual review, which he described as a "destabilizing factor" in economic relations and trade between China and the United States.

The yearly debate on China's trade status was "detrimental to the stable development of bilateral relations as a whole," he said.

China has long demanded that the United States scrap its annual review of the trading



Foreign Minister Yevgeni Primakov of Russia visiting with President Jiang Zemin of China in Beijing on Thursday to make arrangements for a Moscow meeting between Mr. Jiang and President Boris Yeltsin.

status, but Congress has hotly debated the issue since the killing of young demonstrators near Tiananmen Square in Beijing in June 1989.

Opponents of normal trade relations with China argue that Beijing violates human rights, contributes to the proliferation of nuclear weapons and runs a growing trade deficit — now more than \$60 billion — with the United States.

Representative Benjamin Gilman, a Republican from New York, argued in Washington. "Revoking MFN for China will mark an important step toward putting reciprocity in the trade relationship and serve notice that we no longer will tolerate China's proliferation of weapons and repression of human rights."

But supporters of trade with China say revoking the status would have threatened U.S. jobs dependent on China and hit U.S. consumers with higher prices for a range of products, including toys, clothes and small electronic appliances.

A Hot Debate Over Cold Pizza

In Japan, Analyst's 'Glib' Comment Generates Political Furor

By Stephanie Strom
New York Times Service

TOKYO — Cold pizza has become a hot topic in the race that will decide who becomes the next prime minister of Japan.

It started when John Neuffer, a political analyst often quoted by the foreign news media here, described the front-runner, Foreign Minister Keizo Obuchi, as having "all the pizzazz of a cold pizza." Since then, pizza jokes have abounded and pizza has had top billing in the Japanese press.

The Foreign Ministry, however, fails to see the humor.

"Unfortunately, Neuffer's 'cold pizza' is now too famous," said Mikie Kiyoi, director of the ministry's international press division. "Of course, anyone can say what they want, but to have one country's prime ministerial candidate described as such is, well, sad."

The ministry is also questioning Mr. Neuffer's credentials and, by extension, the foreign news media's coverage of the selection of a new prime minister to replace Ryutaro Hashimoto, who resigned after his Liberal Democratic Party suffered a decisive setback in Upper House elections on July 12.

"Those analysts on Japanese politics quoted in your paper or other foreign papers are quite unfamiliar to us Japanese," Ms. Kiyoi wrote in an e-mail message to the Tokyo bureau of The New York Times.

Mr. Neuffer, for his part, cannot believe the furor. "It was a glib comment," he said Wednesday, noting that he coined the cold pizza phrase in an April newsletter that went on to praise Mr. Obuchi's homespun appeal.

Mr. Neuffer's comment reappeared in the Times (and the International Herald Tribune) this month, and the commotion started.

"Are they only known within the gaijin ghetto?" he asked, using the Japanese word for foreigners. "Or am I simply ignorant?"

Mr. Neuffer was employed by the Japanese government as its consular officer in New York from 1987 to 1990. "My title was special assistant to the consul general, and my role was primarily speech writing," he said.

After that, Mr. Neuffer moved to Tokyo, joined the Mitsui Marine Research Institute and in 1994 began writing a newsletter on Japanese politics called Behind the Screen.

Ms. Kiyoi is also taking foreign journalists to task for relying too often on the same commentators to explain Japanese politics.

"There is no new face in analysts on Japanese politics just as in Japanese politicians," Ms. Kiyoi wrote in her message.

JAPAN: Jockeying for Party Leadership, Candidates Give a Show of Openness

Continued from Page 1

into a remarkable display of populist democracy. If the campaign this week for the party's top post were any more warm and fuzzy, it would be a golden retriever puppy. If it were any more media-conscious and confessional, Oprah Winfrey would book it for her tell-all television show.

"Things are really completely different now," said Norihisa Tamura, 33, a Liberal Democratic member of Parliament, adding that the party had become much more sensitive to the public's call for more openness since the election disaster on July 12.

The party leadership campaign has dominated life here for days. The candidates have appeared in nearly nonstop television interviews and candidate forums. Anyone in Japan who watches television has been unable to avoid them.

One paper featured photographs of the candidates' houses on the front page, complete with assessed value. Mr. Obuchi's \$4.3 million Tokyo home was by far the most expensive.

Never before has the Liberal Democratic Party sanctioned such an open display of politicking for its top job, which is normally decided by a handful of party leaders meeting in unapologetic privacy. But its humiliation in the elections for the upper house of Parliament has forced the party to heed voters and younger party members who demanded a more democratic process to

choose Japan's next leader. The prime minister will have to lead the country through a crippling economic recession.

While the process has been opened up to public scrutiny, the public will have no say in the vote. Only 366 Liberal Democratic members of Parliament and 47 representatives of regional party affiliates will cast ballots. But the party and its candidates have been working overtime to project a new, more approachable image to voters.

In another rare step, Mr. Kajiyama and Mr. Koizumi have met individually with foreign reporters, at press conferences and in one-on-one sessions. The opinion of foreigners, especially Americans and especially the American media, has suddenly become an issue in the Japanese campaign.

Japan's handling of its economic crisis has been widely criticized abroad, especially by American leaders. That criticism helped set the stage for Mr. Hashimoto's ouster, and it has made the candidates more sensitive to what the rest of the world is saying.

Mr. Obuchi, stung by an American political analyst's quip that he has the "pizzazz of cold pizza," served hot pizza to reporters in a public relations offensive this week.

"You can always warm up cold pizza in a microwave," Mr. Obuchi said, trying to make the point that his reputation for blandness need not make him an ineffective leader. It was a sur-

prisingly funny move by Mr. Obuchi, but one Japanese reporter present spoiled it by saying that microwaved leftovers often taste bad.

Mr. Kajiyama also tried to do damage control with the foreign press, which has repeatedly reported a remark he made in 1990, when he was justice minister. During a raid to clean up the sleazy Kabuki-cho district of Tokyo, Mr. Kajiyama said prostitutes and African-Americans both ruin neighborhoods when they move in.

That remark caused an international uproar, and Mr. Kajiyama this week told reporters that he had done much soul-searching since then. "The comments I made at the time reflected my ignorance," he said.

Some voters, especially those who voted against the governing party last week, say that all the public campaigning does not add up to much. In the end, they say, they believe that the party's leaders are still calling the shots without much regard to public opinion.

"It is happening far from the public and they are doing what they want to regardless of what the public feels," said Kaori Sakurai, 25, a trading company employee. "I feel like the whole thing is happening outside of Japan, in some distant place."

Yoshitomi Mimasa, 50, who works in a parking lot, said, "The voice of the public has not reached LDP members. It is like seeing a play performed on stage."

RATING: Moody's Takes Aim at Japan

Continued from Page 1

shifts into foreign currency assets by Japanese residents in the post-Big Bang environment.

Deregulation of financial markets, known as the "Big Bang," has made it easier for Japanese investors to move their savings overseas. Japan's economy and falling yen have increased the incentives for them to do just that.

In April, Moody's shocked global markets by announcing that it had downgraded its outlook for Japan to "negative" from "stable," although it said at the time that it was not considering a downgrade of credit ratings. At the time, many economists said that Japan, with its massive savings pool and the largest foreign reserves in the world, seemed an unlikely candidate for a ratings downgrade.

But efforts since then to stimulate Japan's economy through massive tax cuts and public-works spending have failed. Banks, struggling under mountains of bad debts that are rising because of increasing bankruptcies, have cut back on lending, sending the economy into a further tailspin. Now many economists say that a ratings downgrade appears inevitable, unless some kind of radical and immediate deregulation and restructuring of industries were to take place — something Japan's consensus-driven, slow-moving policymakers are unlikely to do.

Shinobu Koyanagi, an economist at Industrial Bank of Japan, said the government raise spending to stimulate the economy and stabilize the financial system. But that will increase the ballooning deficit to a level that will make it hard for Japan to maintain its Aaa rating.

BRIEFLY

New Delhi Strikers Clash With Police

NEW DELHI — At least 40 people were injured when striking medical workers clashed with police in New Delhi, where state-run hospitals remained crippled Thursday for a fourth day.

Police used tear gas, water cannons and batons to push back hundreds of medical workers who tried to march on Parliament. A spokesman for the 70,000 strikers said five of the injured were in a serious condition.

About 2,000 strikers also burned effigies of Prime Minister Atal Bihari Vajpayee near Parliament.

Union leaders said workers on Wednesday rejected a government package offering higher wages and faster promotions. (AFP)

Legislature to Drop 7 Suharto Relatives

JAKARTA — Indonesia's ruling Golkar party has decided to dismiss seven of former President Suharto's relatives from the nation's top legislative body, a party spokesman said Thursday.

Four of Mr. Suharto's children, along with his half-brother, cousin and a daughter-in-law, will be dropped from the People's Consultative Assembly, said Suwito, the spokesman.

The seven, along with hundreds of others in the body, were appointed by Mr. Suharto before he stepped down in May. (AP)

Enriched Uranium Seized in Madras

NEW DELHI — Police seized 6 kilograms (13.2 pounds) of enriched uranium in the southern city of Madras overnight, the Press Trust of India said Thursday.

The news agency said the uranium, which could be used in atomic energy processes, was seized from the house of an engineer, who was arrested by federal police along with another unidentified person.

The agency said the engineer "confessed during interrogation that the radioactive material, in the form of granules packed in a polythene bag, was passed on to him by the second person." (AFP)

Flooding Kills 125 In Bangladesh

DHAKA — Floods triggered by monsoon rains and torrents from the hills in neighboring India have caused havoc in Bangladesh, killing 125 people and leaving half of the country under water.

Experts on Thursday predicted worse to come during the next 24 hours as water levels kept rising in all major rivers during a "fairly active monsoon" across the country.

The unofficial toll from flooding and related diseases stood at 125, with 18 fatalities reported overnight. Officials confirmed 50 deaths in the last two weeks of flooding, which has affected more than 9 million people. (AFP)

For the Record

A man armed with a knife tried to force his way into the Tokyo headquarters of Japan's governing Liberal Democratic Party on Thursday, but was apprehended by police, a party official said. No one was hurt in the incident, and the man's identity and motive were unclear. (Reuters)

Antonio Saura

Antonio Saura, a Spanish painter and sculptor, died of cancer at his home in Madrid on Thursday. He was 84 years old. Saura was one of the most important artists of the 20th century. He was a member of the Surrealist movement and was known for his dark, expressive paintings. He also worked in sculpture and film. Saura's work was characterized by its emotional intensity and its exploration of the human condition. He was a prolific artist, creating hundreds of paintings and sculptures throughout his life. His work has been exhibited in major museums around the world and is highly valued by collectors. Saura's death is a significant loss to the art world.

EUROPE

U.S. Caught in Bind on War Crimes

Years of Diplomatic Advocacy, Then Military Opposition - and Defeat

By Thomas W. Lippman
Washington Post Service

WASHINGTON — After years of promoting a permanent international tribunal for war crimes and genocide, the U.S. government is picking through the rubble of a spectacular diplomatic defeat: last weekend a vast majority of the world's nations approved the creation of just such a court, despite U.S. objections to its terms.

The outcome left the administration in the position of refusing to participate in, or help pay for, an international tribunal that Secretary of State Madeleine Albright had vigorously advocated as a key to meeting out justice in future conflicts.

David Scheffer, the chief U.S. negotiator at the diplomatic conference on the treaty, which ended Saturday in Rome, testified Thursday before the Senate Foreign Relations Committee on Thursday to explain why Washington was now opposed to a court that it labored for years to create.

The panel chairman, Jesse Helms, called for an aggressive campaign against its ratification by other governments, Reuters reported. A total of 60 nations must ratify it for it to take effect.

"Rejecting this treaty is not enough," Mr. Helms told Mr. Scheffer. "The United States must fight this treaty."

The conservative North Carolina Republican was a significant force in shaping the U.S. position during the grueling five-week negotiation at the United Nations conference.

According to participants in the Rome conference and human rights activists, the delegates overwhelmingly rejected the proposed U.S. modifications because they resented what they viewed as strong-arm U.S. negotiating tactics and U.S. insistence that the court's jurisdiction be limited by a guarantee that no American citizen would ever be tried before it.

In particular, the Defense Department was concerned throughout the negotiations that U.S. troops around the world might be subject to prosecution, a threat that the American team said could restrict future U.S. military deployments.

But other countries, including such close allies as Canada and Germany, argued that the treaty already included sufficient protections for citizens of countries with well-established legal systems. The treaty requires the court to

defer to such countries when they conduct their own investigations and trials.

Conference participants were reportedly outraged when the Pentagon convened a Washington meeting of military attachés at embassies here to alert them to what it portrayed as potential dangers in the treaty for other nations. Countries such as Argentina and El Salvador, which only recently emerged from military rule, were incensed at what they saw as a Pentagon effort to reinject their armed forces into their political decision-making, conference observers and participants said.

The vote to approve the treaty was 120 to 7. Only Libya, Qatar, Iraq, Yemen, China and Israel voted with the United States.

"We labored under the paradox of being a leader for international justice but at the same time a leader for international peace and security," Mr. Scheffer said Wednesday.

Richard Dicker, who monitored the conference for Human Rights Watch, disagreed.

"The Defense Department insisted on a 100 percent foolproof mechanism to preclude prosecution of U.S. troops," he said. "To get that, they essentially needed to cut the heart out of equal application of the law to all who came before it."

The United States objected to two key points in the treaty: the creation of a permanent independent prosecutor's office with the power to initiate investigations, and the establishment of the court's jurisdiction over atrocities committed by citizens of nonsignatory countries.

The first provision stoked concern that U.S. troops might be subjected to politically motivated prosecutions.

The second concern reflected the American negotiating team's belief that the U.S. Senate would probably not ratify the treaty in the foreseeable future, and thus the United States would be among the nonparticipating countries.

"Once the treaty comes into force, it would extend the court's jurisdiction over the nationals of countries that are not party to the treaty," the State Department spokesman, James Rubin, said Monday. "Never before has a treaty put itself over those who have not been included in it."

NATO Seizes Wrong Set of Twins

Reuters

THE HAGUE — The Yugoslavia tribunal said Thursday that twin brothers delivered into its custody by NATO-led troops were not suspected Bosnian Serb war criminals, but the unfortunate victims of a case of mistaken identity.

The men, believed by NATO to be the wanted prison camp guards Predrag and Nenad Banovic, were flown into The Hague on Thursday morning amid much NATO and British self-congratulation.

The two men were arrested Wednesday evening in the northwestern Bosnian town of Prijedor. British troops of the NATO-led security force took credit for the apprehension.

The British defense secretary, George Robertson, and the foreign secretary, Robin Cook, said in a state-

ment that the arrests showed that war-crimes issue had not been allowed to drop and that "every indictee belongs in The Hague."

But a few hours later, a tribunal spokesman, Christian Chatter, delivered the news that NATO had got it wrong.

"These two persons are not the Banovic brothers," Mr. Chatter said, adding: "They are people who have absolutely nothing to do with this." He said identity checks had borne out the men's story that they were not the wanted Bosnian Serbs.

"We are making arrangements for them to be sent back as soon as possible," Mr. Chatter continued.

He refused to draw into questions about the men's real identity, apart from saying they were also twins.

Battle Devastates a City in Kosovo

In 4 Days of Fighting, Orahovac Lost More Than Just Buildings

By R. Jeffrey Smith
Washington Post Service

ORAHOVAC, Yugoslavia — A stroll past hundreds of blasted, looted or burned-out homes and shops suggested all sides have lost, especially the residents, in a four-day battle between Serbian forces and ethnic Albanian insurgents for control of this once-thriving city of 20,000.

Many homes were burned to the ground, and scores lacked roofs and windows. Dead farm animals lay on the main roads, and tractors moved through the city after the battle ended to pick up bodies and take them away, according to three witnesses.

Years of repairs and an enormous sum of money will be needed to overcome what machine guns, mortars, grenades and tank cannons wrought in just a few days during one of the fiercest battles of the five-month conflict between Serbian forces and separatist ethnic Albanian guerrillas.

Considerable psychological healing will also be needed to repair the bitterness and ill will that now exist among Serbs and ethnic Albanians who once lived in relative harmony here.

Behije and Bashkim Hadje, an ethnic Albanian couple who were 25 and 35 years old, appear to have been among scores, and possibly hundreds, of people killed in the fighting. Their identification papers were lying in a bag of clothing spilled on the ground near a large bloodstain on one of this hillside city's steep sidewalks, surrounded by 10 pairs of shoes and other personal debris.

According to Captain Milan Sipko, a Serbian police commander, the battle

was waged "to liberate the town" from members of an insurgent group known as the Kosovo Liberation Army, which on Friday had tried to seize control of it.

The guerrillas are demanding that Kosovo, which is a province of Serbia, Yugoslavia's more important republic, be given independence, a goal supported by virtually all of the ethnic Albanians, who make up 90 percent of Kosovo's population.

The guerrilla group's attempt to expand its power base from small villages into urban centers such as Orahovac that lack any Serbian military barracks failed completely. "There are still snipers remaining in the area," Captain Sipko said as he waved toward the town center past a series of smashed shops.

"But the core of the city to the left and the right is clear as far as we know."

Captain Sipko said two policemen and four Serbian civilians were killed in the fighting, and nine policemen were wounded. He did not estimate how many Albanians had died. But human rights officials in the city of Prizren, about 25 kilometers (15 miles) south of here, reported that Serbian security personnel buried some of the Albanians in mass graves at a local cemetery Wednesday while barring international monitors and local activists from reaching the site.

Both the Kosovo Liberation Army and the Serbian police appear to have resorted to kidnappings and mass detentions during the fighting. Captain Sipko said the Serbs had detained 223 people on suspicion of involvement with the guerrillas.

He said most were subsequently released and only 26 remained in jail. But this claim was challenged by independ-

ent human rights workers in Prizren, who said more than 100 men are still imprisoned at the city's fire station and several of those who were released had been beaten during interrogation.

Most of the city's residents have fled, adding more than 15,000 people to Kosovo's burden of more than 200,000 people made homeless in the conflict.

Electricity, water, and telephone service have been cut in Orahovac, leaving those who stayed behind in increasingly dire conditions. In the basement of one house on the city's northern slope, 20 children younger than 5 huddled in darkness Wednesday afternoon, awaiting their first drink of fresh water in five days.

Many of those who stayed reported abuses by police after hundreds of guerrillas withdrew from the city Sunday and Monday, when most of the fighting ended. Several ethnic Albanian women who shared the basement with the children reported hearing gunshots and screams for help from those trapped outside during the final stage of fighting.

Three ethnic Albanian men said they saw Serbian policemen move through the neighborhood to set fires or toss grenades into the homes of wealthy residents suspected of having supported the rebels.

On the front steps of the city council building, which was not damaged, Anđelko Kolasić, the city's mayor, a Serb, claimed "fire came down from all sides" during the guerrilla assault. He said beforehand that "we were in good relations with Albanians," but that when the fighting began, "every house was a sniper base."

Antonio Saura, Spanish Painter, Dies

The Associated Press

MADRID — Antonio Saura, 67, one of the first painters to challenge the restrictive artistic atmosphere that characterized Generalissimo Francisco Franco's dictatorship in Spain, died Wednesday. He had had a blood disease.

Mr. Saura was part of an artistic group formed in 1957 known as "El Paso" ("The Step"). He was considered a pioneer of Spanish experimental art during Franco's regime, which lasted from 1939 to 1975.

After a trip to Paris and a brief flirtation with Surrealism in the early 1950s, Mr. Saura settled down to the flamboyant but severe black and white semi-abstract canvases that would become his hallmark. This style has been dubbed "Ascetic Baroque."

He was one of the great Spanish painters of this century. Culture Minister Esperanza Aguirre said, according to the national news agency EFE.

Hermann Prey, 69,
German Baritone

MUNICH (AP) — Hermann Prey, 69, a German baritone whose versatile career took him to most of the world's great stages, died at his home near Munich after suffering what apparently was a heart attack late Wednesday or early Thursday.

Equally at home in operas by Rossini, Mozart, Wagner or Richard Strauss, Mr. Prey was also considered the greatest contemporary performer of Franz Schubert's songs.

He started an annual Schubert festival that rotates between New York and Vienna.

"Even after more than four decades on stage, Prey's lyrical baritone still exudes a wonderful sonorous warmth," the Berlin newspaper Tagesspiegel wrote last year after a Schubert concert.

A Berlin native, Mr. Prey made his debut at the State Theater in Wiesbaden in

1952. He sang at the Metropolitan Opera in New York, the Wagner Festival in Bayreuth, at the Scala in Milan, in Vienna and in London.

He was also a director, most notably of Mozart's "The Marriage of Figaro" at festivals in the Austrian composer's hometown of Salzburg.

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Herald Tribune

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BRIEFLY

2 Spain Ex-Officials
Face 13 Years' Jail

MADRID — The Spanish Supreme Court will sentence a former Socialist interior minister and his deputy to 13 years each in prison for their involvement in a "dirty war" against the Basque guerrilla group ETA in the 1980s, media reported Thursday.

Newspapers and state radio reported that the Supreme Court would sentence Jose Barrionuevo, interior minister under the former Socialist prime minister, Felipe Gonzalez, and the former secretary of state for security, Rafael Vera, to 13 years each.

They were found guilty of two of the three crimes they were charged with in relation to the 1983 mistaken-identity kidnapping of a Basque businessman, Segundo Marey, which marked the start of the covert campaign of terror against ETA members. (Reuters)

Chechnya President
Survives Bombing

GROZNY, Russia — The president of Chechnya narrowly survived a powerful car-bomb attack that badly damaged his motorcade and killed his top bodyguard Thursday in the capital of the rebel republic.

President Aslan Maskhadov was traveling through the streets of Grozny when the car bomb exploded, damaging his four-wheel-drive vehicle, destroying other cars, and leaving a large hole in the road.

Mr. Maskhadov emerged from his car with only a minor knee wound, but a bodyguard was killed and six were wounded, the president said at a news conference. "It is the fourth attempt on my life, and the first since I was elected



Jose Barrionuevo, right, a former minister of the interior, and a former state security official, Rafael Vera, during their trial in Madrid.

president" last year, he said. (AP)

Havel Hospitalized

PRAGUE — President Vaclav Havel was hospitalized for medical tests Thursday, three days before follow-up surgery to remove a tube from his colon.

The tube was inserted after Mr. Havel suffered a ruptured colon and acute peritonitis while on vacation in Austria in April. The operation was

temporarily set for Sunday.

Doctors say Mr. Havel must remain in the hospital for about two weeks after the surgery and will need another six weeks to fully recover. (AP)

For the Record

Italy's government, unions and employers on Thursday started, and then promptly recessed until September, talks on a five-year-old wage pact that is credited with taming inflation. (AP)

Blair Won't Press Gay-Consent Measure

Reuters

LONDON — Prime Minister Tony Blair's cabinet resolved Thursday not to sacrifice legislation on law and order to rescue efforts to lower the age of homosexual consent.

Ministers held talks on the issue after the House of Lords succeeded in overturning a clause in the Crime and Disorder Bill reducing the age of consent for homosexuals to 16 from 18.

The cabinet decided it was vital that the bill, with or without the gay provision, should be passed before Parliament recessed for the summer next week.

In the House of Lords on Wednesday, peers voted by 290 to 122 to overturn an overwhelming House of Commons majority last week that would align the age of consent for gay sex with that for heterosexual intercourse.

The result angered Britain's gay-rights campaigners.

Ministers could ask the Commons to vote on the issue again Tuesday. But if the Lords reversed their verdict a second time, ministers could judge that it was impossible to get the bill with the gay-sex clause in it through Parliament.

Mr. Blair's spokesman said the bill

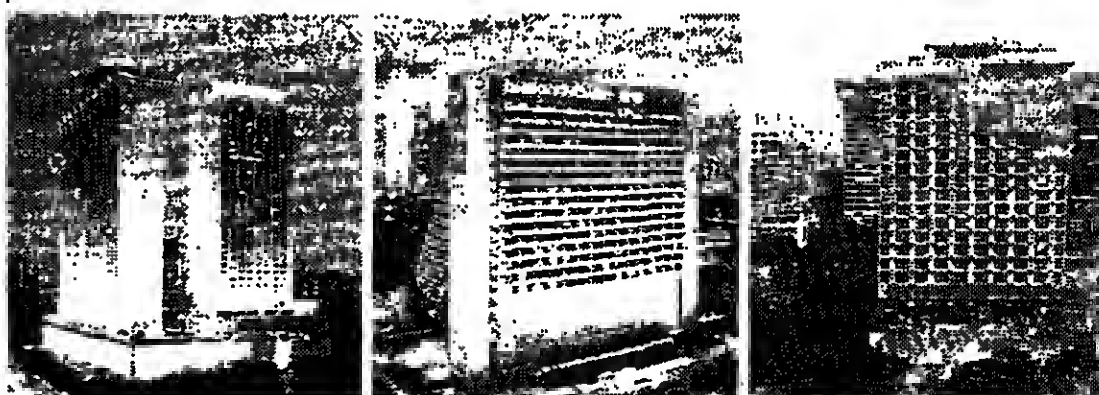
contained measures on sex offenses, and youth justice that ministers had decided they must get passed.

If the gay-sex clause was dropped, the government would almost certainly provide time in the next session for a bill focusing solely on the gay issue.

But this could mean postponing the revision by up to two years.

A delay would infuriate Britain's vocal gay-rights lobby and also bring closer a clash with the European Court of Human Rights, which was widely expected to rule that current British law discriminated against homosexuals.

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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Politicking in Japan

Until Japan's ruling party flamed out in recent upper house elections, it was commonly assumed that a complacent Japanese population was not all that upset about its country's economic decline. Well, forget that; Japanese voters, especially in big cities, showed with their stunning rebuke of the Liberal Democratic Party and its overconfident leader, Prime Minister Ryutaro Hashimoto, that they are plenty mad. Now, with Mr. Hashimoto stepping down, his party will try to upend another truism of Japanese politics: that Japan's political system in general, and the long-ruling LDP in particular, are too parochial and too unresponsive to popular will to lead Japan out of its seven-year-old economic morass.

Three candidates are vying in a Friday election to replace Mr. Hashimoto as LDP president (and because the party still controls the Parliament's more powerful lower house) prime minister. Only about 400 people — LDP Diet members and regional representatives — will vote.

The front-runner is Foreign Minister Keizo Obuchi, 61. Though almost universally regarded as ineffectual and tainted by close association with the failed Hashimoto regime, he is favored by LDP faction leaders; it is, in the traditional LDP way, his turn.

He is being challenged, however, by Seiichi Kajiyama, 72, who has endeavored himself to the business community with his clear espousal of economic reform, and by Health Minister Junichiro Koizumi, a relative newcomer at age 56 whose good looks, maverick status and distance from the LDP barons give him popular appeal. So you have the Candidate of the Bosses, the Candidate of the Markets and the Candidate of the People.

Traditionally, all this would have

been settled behind closed doors in, yes, smoke-filled rooms. But the three candidates, despite their tiny electorate, have been debating on television, meeting with foreign reporters and otherwise conducting unusually public campaigns. The fear of losing power, in lower house elections to take place sometime within the next couple of years, has forced the LDP at least to think about its popular appeal, or lack thereof.

Americans have considerable reason to care whether a credible government emerges from this process. Asia's economic depression is grave not only for the human misery it is causing but for the threat it poses to prosperity in the rest of the world; and Asia will have a hard time recovering as long as its wealthiest economy sinks deeper and deeper into recession.

But which individual triumphs Friday may not be the crucial question. Outsiders are always looking for, and frequently claiming to find, a bold reformer who will break through the strictures of Japanese politics; but the Japanese system is unlikely to produce or tolerate such a leader.

So the more important question may be whether the LDP as a party can turn its recent defeat into an opportunity to jettison its past failed policies and promote the changes that almost everyone acknowledges are needed: permanent tax cuts, real bank reform, a more open economy. All three candidates promise bold reform, but Japanese politicians have been promising bold reform for more than a decade. If the latest vows end up on the same towering pile of discarded pledges, we will know that this month's electoral defeat was not enough to shock the system out of its hidebound ways.

—THE WASHINGTON POST

Pan Am Flight 103

It has been nearly 10 years since terrorists bombed Pan Am Flight 103 over Lockerbie, Scotland, killing 270 people. American investigators concluded early that two Libyan intelligence agents had planned the bomb. But despite the pressure of international economic sanctions, Libya has refused to turn over the suspects to either Britain or the United States, preventing the case from coming to trial.

Now President Bill Clinton, and Prime Minister Tony Blair of Britain have sensibly decided to explore the idea of holding the trial in the Netherlands, under Scottish law and presided over by Scottish judges.

Libya proposed essentially the same plan in 1994 and has repeated the offer since then. The ideal location for a trial is still Britain or the United States. But justice can be served by holding a Scottish trial in the Netherlands. If the details of doing so can be acceptably worked out.

These include establishing the legal basis for such an unusual proceeding, securing the two Libyans' extradition to the custody of the trial court and agreeing on the conditions required for lifting sanctions. At a minimum, the suspects should be in custody and Libya's cooperation in the trial proceedings assured before sanctions are suspended.

Reno Needs to Act

Charles La Bella, who has been leading the U.S. Justice Department's campaign finance investigation, has now advised Attorney General Janet Reno that under both the mandatory and discretionary provisions of the Independent Counsel Act she must appoint an outside prosecutor to take over his inquiry. The other important figure in this investigation, FBI Director Louis Freeh, has already recommended an independent counsel.

Ms. Reno can give her usual run-around about being headhunted, but she cannot hide from the meaning of this development.

The two people in the American government who know most about this case — the lead prosecutor and the top investigator — are convinced that the trail of potentially illegal money leads so clearly toward the White House that Ms. Reno cannot, under federal law, be allowed to supervise the investigation of her own boss. When it comes to campaign law, this is the most serious moment since Watergate.

These are not the judgments of rebel subordinates or hotheaded junior staff members, Mr. Freeh, a former federal

judge, has been if anything too loyal to Ms. Reno during the nine long months that she has ignored his advice. Mr. La Bella was handpicked by Ms. Reno on the basis of experience and skill to run this investigation. Either she has to come forward and make the impossible argument that they are incompetent or bow to the law's requirements.

Ms. Reno may grumble about leaks of supposedly confidential advice. But the fact is that the American people need to know that two top law enforcement officers believe the attorney general is derelict.

Moreover, Mr. Freeh and Mr. La Bella are right to separate themselves from Ms. Reno. If her attempt to protect presidential fund-raising from investigation continues, it will go down as a blot against Justice every bit as enduring as J. Edgar Hoover's privacy abuses.

"Firestorm" is an overused word in Congress, but if Ms. Reno does not make the appointment, the Republican Senate leadership ought to ignite one.

—THE NEW YORK TIMES

America Must Define a Coherent Policy on East Asia

By Robert B. Zoellick

WASHINGTON — The experiences of 1998-1999 will be the epic event in the lives of a generation of Asians. Just as America's actions in Europe 50 years ago established the foundation for a lasting trans-Atlantic partnership, the U.S. performance right now will fashion Asian impressions of America for the next century.

At the same time that Asia is in crisis, Congress is reasserting the foreign policy prerogatives that it exercised during America's first 150 years, before the Cold War interlude.

These two developments are converging, so it is vital for Congress to advance America's foreign policy for East Asia.

As East Asians struggle under the weight of mounting unemployment and a lengthening chain of bankruptcies, the commitment to open markets — America's vision — is increasingly at risk. So are the fragile democracies that are struggling, like Europe's democracies of the 1930s, to overcome a deepening depression. Any one of a host of possible events could trigger a second round of financial panic.

The administration's response to these historic upheavals has been framed by President Bill Clinton's early assessment that East Asia faced a "few small glitches." With each development the administration has been a step behind events. Its tactical flurry of trips, statements and financing packages has been well-intentioned but seems disturbingly disconnected from any strategic concept of what is at stake politically as well as economically, or

of how U.S. policies must be integrated to achieve long-term ends.

The administration's ad hoc method poses a challenge for Congress: to define the components of a comprehensive approach toward the region.

First, Congress should enact a major humanitarian package for Indonesia. The need is urgent. The combination of drought and economic collapse has not only impoverished half of the world's fourth-most populous country but has raised the real danger of famine. Indonesia's new president already is urging his 200 million citizens to fast twice a week to conserve supplies.

All the talk of IMF packages and economic recovery will be only chatter until there is political stability in Indonesia, and there will be no stability if people cannot eat. Indeed, Indonesia's ethnic peace, even its very coherence as a nation, is at risk. And if Indonesia sinks further, the rest of Southeast Asia will bear the burden of its dead weight.

America has a proud tradition of providing humanitarian relief for people in need; it also has farmers who would welcome a boost in prices. If Congress expands the administration's recent announcement of grain purchases into a full-fledged relief plan, it could draw in Japan, the European Union and even some private U.S. business people who have signaled a willingness to contribute.

Second, Congress should pass "fast track" trade negotiating authority for the president to use in East Asia. The United States must be a force for trade liberalization in Asia in order to counter the inevitable forces of protectionism that will arise among anxious governments. Europe succumbed to just such forces in the 1930s. A drive for mutual trade liberalization would match the domestic reform agendas of Asian governments, giving them an additional justification for actions they must take at home.

Indeed, if America is unwilling to back open markets with deeds in the midst of its own great boom, how can we expect the East Asians to believe U.S. rhetoric? If the United States leads the trade liberalization effort ardently, it could achieve more lasting openings of markets than it has through decades of the old-style sectoral slugs.

Third, Congress needs to replenish the International Monetary Fund's coffers. Like the Democrats who set an expensive housing bill as the price for securing more capital for the IMF in 1983, some Republicans now have the impulse to demand that the president trade something to enact the IMF legislation. But both sides cannot afford to let this negotiation drag on.

Given the risks of a second round of financial turmoil in Asia and of worldwide contagion, the United States will endanger some of the ideological and economic victories of

the Cold War if it leaves the IMF's coffers empty.

Finally, Congress should convene hearings that might press the administration to forge the integrated political, economic and security strategy toward Asia that has been sorely lacking. The topic certainly warrants some attention by the secretary of state. To avoid ambush politics, Congress might pose its questions in advance.

For example, how does the administration's new "strategic partnership" with China comport with the U.S.-Japan alliance, including the deeper relationship contemplated by the U.S.-Japan defense guidelines? How might the overall U.S. economic agenda be integrated with its security aims?

The purpose of the questioning would be to urge the administration to develop, and the public to support, a set of policies that might secure America's interests and promote its values for decades to come.

With Asia facing its greatest crisis since World War II, Congress could perform a great service by helping the executive to fulfill its leadership duty for the next generations in Asia and America. Congress and the executive might even learn how to make foreign policy together, fostering a partnership that America needs now and for the future.

The writer, president and CEO-designate of the Center for Strategic and International Studies, was an undersecretary of state in the Bush administration. He contributed this comment to The Washington Post.

ASEAN's Achievements Are Endangered by Continuing Crisis

By Dalgit Singh

SINGAPORE — As foreign ministers of the Association of South East Asian Nations start their annual meeting in Manila Friday, their organization is facing a number of challenges. The most formidable is the economic crisis battering the region.

It used to be said that if economics went wrong in Southeast Asia, social and political instability would follow. This has already happened in Indonesia, the world's fourth-most populous nation and a key member of ASEAN. Political instability could spread if the crisis is prolonged, with the danger of exploitation by extremist elements.

Greater instability in domestic politics causes uncertainty, coloring the perceptions of foreign investors and financial markets, which tend not to differentiate among the individual

countries of Southeast Asia. The region's loss of international credibility is not entirely fair. Amid the publicity given to crony capitalism and corruption, it is easy to forget the achievements of ASEAN.

Over the past 30 years it has kept the peace among its members, enabling them to concentrate on economic and social development.

In so doing, ASEAN helped transform Southeast Asia — once seen as the Balkans of Asia — from a region of poverty and almost endemic instability to one of relative peace and plenty.

This could not have happened without the support of the United States. But without the pragmatic, moderate and basically pro-Western leadership of the five founding members of

ASEAN — Indonesia, Malaysia, the Philippines, Singapore and Thailand — Southeast Asia would have been a different and more troubled place.

ASEAN's reputation as a forward-looking organization of developing states was enhanced by its decision to establish the ASEAN Free Trade Area by 2003 and its role in nurturing Asia-Pacific regionalism, especially the ASEAN regional forum on security.

But ASEAN's achievements may be threatened if the region does not recover soon from the depression in Indonesia and worsening recessions in a number of other member states.

The problem is how to implement far-reaching and potentially painful reforms, amid deepening recession and growing social discontent — and

when there is no indication how long the pain will have to be borne before recovery starts.

Recovery in the region is critically dependent on policies and developments in the major economic powers, over which ASEAN has no control.

Unlike Mexico's recovery from its financial crisis several years ago, Southeast Asia's revival is hampered by not only large private-sector debts, weaknesses in banking systems and depressed domestic demand, but also by continued exchange rate instability and the absence of a United States across the border to absorb more of the region's exports.

That is why a resurgence of growth in Japan and a strengthening of the Japanese yen against the dollar are imperative.

In this situation, the United States, as the world's major

power, must provide leadership in devising and implementing strategies to help restore confidence in the region's markets and rekindle economic growth.

Confidence is the key. The virtues that enabled ASEAN countries to register high growth rates in the past — hard work, high savings, investments in education and training and mostly sound macroeconomic policies — remain in place.

If Southeast Asia fails to recover, the forces of political moderation and economic liberalization in the region could suffer setbacks. This would not be in the interests of either the West or Japan.

The writer, a senior fellow in Singapore's Institute of Southeast Asian Studies, contributed this comment to the International Herald Tribune.

Some Questions to Ask When Reopening 'Filegate'

By William Safire

WASHINGTON — Remember Filegate? Three years ago we learned that the White House had been regularly pulling the files from the FBI on hundreds of Republicans — ostensibly for security clearance, but including hundreds of former Reagan and Bush appointees never being considered for jobs.

Even Clinton partisans shuddered at shades of an "enemies list."

White House spokesmen dismissed it as a "bureaucratic soafu," caused by a Secret Service that couldn't keep its lists straight.

Suspicion fell on D. Craig Livingstone, a Democratic advance man unqualified for his sensitive security post. Because some Clinton appointees had drug problems in their pasts.

White House operatives may have felt that a supply of political mud was needed to drive off potential critics.

The FBI admitted wrongdoing in being so complaisant, apologized and said it would never again ship files over without proper paperwork.

But it was obviously not qualified to investigate White House abuse of its files; Janet Reno asked for independent counsel, and the matter was assigned to Ken Starr, who had an organization up and running.

Mr. Starr has never come to closure. Years passed; Mr. Livingstone, seeking no immunity, testified to Congress that everybody and therefore nobody was to blame. Mr. Starr's investigation languished.

Fortunately for the public interest in privacy, an organization called Judicial Watch launched a class-action suit on behalf of people whose files had been unlawfully examined. This week it provided The Washington Times with an expanded list of names of those whose most intimate affairs may have been examined by this political operative and his bosses.

The list, still growing, is up to 900 names: some, like Linda Tripp, were holdovers, but at least 400 were not — from James Brady to James Baker, John Whitehead to James Carville. (Some White House snoops probably said merrily, "Let's see what they've got on Carville.")

If the prosecutor cannot indict after all this time, he should

issue a report. Here are questions that need answering:

Was Mr. Livingstone hired at Hillary Clinton's suggestion? Who gave this former bar bouncer the names of the targets of White House curiosity — names that he then ordered up from a roundtable FBI? Did the FBI send over only summaries, as the White House claims, or were raw files or letters sometimes included?

Before being returned to the FBI, were the contents of these confidential files typed into White House computer databases?

"I can see a secretary or some poor intern being relegated to typing up somebody's information on the computer," Mr. Livingstone told the reporter Bill Sammon of The Washington Times this week, "so that the president could read it or the chief of staff could read it."

Here is this serial invader of privacy blithely envisioning the transmission of FBI files loaded with hearsay smears being fed to the president himself, for reading amusement on his computer screen.

We know that "Whoddy" (pronounced "who-to-be"), the White House Office Data Base, has on it tens of thousands of potential contributors and people who owe the Clintons

favors, accessible by name, affiliation, race and religion. We do not yet know what else is in these political dossiers.

Who in the White House cooked up the excuse offered when Filegate first surfaced, that the Secret Service was to blame for providing an outdated list of names? After Secret Service agents testified to Congress that this was untrue, and that the names of former White House aides were clearly marked "inactive," Clinton's Treasury harassed the agents with a costly investigation.

The Senate counterinvestigated that harassment; the agents were exonerated and their legal bills paid. Now, ironically, the White House is posing as the big friend of a Secret Service reluctant to testify while clinging to the canard that an inefficient Secret Service was the cause of hundreds of invasions of privacy.

As Clinton stonewallers talk about the president's privacy, and as White House spinmeisters seize the issue of privacy on the Internet, think about Mr. Livingstone's eye to the keyhole of more than 400 Republican bedrooms. If Mr. Starr cannot indict, he should report forthwith; then, if necessary, Congress should act.

The New York Times

Why the GM Strike Doesn't Hit Home

By Floyd Norris

NEW YORK — There was a time when a strike that shut down General Motors, and but the economy would have been at the top of the news every day. Public pressure for a settlement would have been intense.

In those days, GM so dominated American auto production that Detroit feared antitrust action to break up the carmaker. Then, the issues that divided the United Automobile Workers and the company were much easier to understand. The workers wanted more money, and management was reluctant to pay it.

The current GM strike, and the relative lack of attention it has received, is a sign of how far the mighty have fallen. There is, to be sure, talk that the virtual elimination of GM production in North America is shaving economic growth by half a percentage point or so.

But there is no pressure from Washington to do something about the strike. GM is just not as important to the country as it used to be.

Viewed from a long perspective, GM's labor problems are another example of its inability to get the big things right. It tried to save money by eliminating the real differences between its brands, and found that customers noticed. It plotted huge sums into factory robots that did not live up to expectations.

Auto strikes once were threatened every few years,

when the national contract was expiring. At GM, they now seem to occur with regularity because the contract allows strikes over local issues such as job safety and speedups. And GM, by adopting just-in-time inventory procedures, has assured that a strike at one plant can quickly affect most of the company.

GM loses hundreds of millions of dollars, while the union strike fund barely notices the impact. (Most workers get unemployment compensation because they are counted as laid-off workers, not as strikers.)

Strikes over local issues are also permitted at Ford and Chrysler.

But they don't happen. One reason may be that those companies took the painful steps to become competitive in the early 1980s, when times were tough. GM dithered. Another is that GM keeps losing market share, making more cuts necessary.

That slowness to move reflected the attitude of both management and workers that GM would always be a powerhouse. The company guaranteed job security for current workers regardless of how well GM did. That gave rise to a sense of entitlement among workers, as well as an almost reflexive hostility to any effort to change work rules or increase productivity. GM has

the least efficient system of the American automakers, and the worst labor relations.

Until recently, GM has talked tough but backed down in the face of potentially crippling local strikes. But now it vows not to give in, and to force workers to improve productivity. The workers think GM cannot be trusted and fear that there will be no jobs for a new generation of American autoworkers.

There was a time when GM could prosper even if managers and workers hated each other. But that was when competition was far less intense.

Now the industry faces worldwide overcapacity. Plants with relatively high wages are unlikely to be competitive without a spirit of cooperation and teamwork.

Unfortunately, there are few signs that such a result is likely when this strike ends. Unable to cut a deal with the union, GM is trying to persuade a mediator that the strike is in violation of the national union contract because it is not about safety issues, as would be permitted, but instead about investment and the moving of jobs overseas.

If it wins that argument and the workers come back against their will, GM will be able to make cars again, but it will be unlikely to make much progress in getting ready for the coming industry shakeout.

The New York Times

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: Taking Hawaii

PARIS — The "Evening Telegram" says: "Hawaiian annexation has come. Its opponents see in annexation a mistaken and dangerous departure from the traditional policy of the United States — an acquisition of territory never contemplated by the founders of the Government, a first step towards 'imperialism,' which, as Mr. Cleveland says, will be a 'perversion of our national mission,' and can only prove the dry rot of our national grandeur and prosperity."

1923: Assembly Hero

PARIS — M. Charles Dupuy, who as President of the French Chamber of Deputies in 1893 spoke the famous words, "The sitting continues," when the notorious anarchist Auguste Vaillant threw his bomb into the assembly, died yesterday (July 23) aged seventy-two. Vaillant's

bomb was aimed at M. Dupuy, whose remarkable coolness and presence of mind saved the Chamber from a panic. Order was kept while many injured persons were being removed.

1948: Griffith Dies

HOLLYWOOD — David Wark Griffith, seventy-three, pioneer film producer, died today (July 23). Mr. Griffith, the man who brought the motion pictures out of the one-reeler stage, gave the screen such stars as Mary Pickford. One thousand feet there was the standard length of a film. Mr. Griffith was the first to make them longer. "The Birth of a Nation," probably the most famous motion picture ever made, was shown in 1915. Nothing like it had been seen before. The picture grossed \$3,500,000, which was exceeded by only four others in the next twenty years, despite the advent of the talkies.

Herald Tribune

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OPINION/LETTERS

Desperately Seeking Safety in America

By Michael Kelly

WASHINGTON — Here where I live, in weenie nation, the bad news is that life is still terribly, terribly — really almost unbearably — dangerous. The good news is that, at last, we have gotten pretty much everything properly labeled to reflect this.

The other day, my wife and I dropped by a merry-go-round with our son, Tom, who is 2. In front of the carousel was a large sign that read: "For Your Safety, Pregnant? Heart Problems? Motion Sickness? Neck or Back Problems? Health Problems?" And then, in big red letters: "For Your Protection, You Should Not Ride! Anyone Under the Influence of Alcohol or Drugs Is Not Permitted to Ride." By the grace of God, this people-killer was closed for the day.

Escaping with our lives, we stopped at McDonald's to buy Tom a Happy Meal. It came with a little gift, a Disney giant warrior figure called Mulan.

Mulan was enclosed in a plastic envelope that was printed with warnings in 30 languages, including Castilian, Czech, Estonian, Latvian, Lithuanian, Magyar and Spanish: "This toy has been safety tested for children ages 3 and over. CAUTION: It May Contain Small Parts and Is Not Intended for Children Under 3. Please Retain Information for Reference."

We grabbed the deadly Disney baby-destroyer away

The good news is that, at last, we have gotten pretty much everything properly labeled to reflect the dangers.

from Tom, which he did not appreciate, but he will thank us one day.

Back home, we decided to let Tom take a dip in his new wading pool, but this turned out to be another bad idea. "Warning! Not suitable for children under 36 months," informed the words imprinted in the pool's bottom. "In case of unforeseen (sic) use, in particular of small parts giving rise to harm." I wondered what small parts could be found in a seamless piece of plastic.

But why take chances? I snatched Tom up and rushed him upstairs to put him back in his room, which his mother and I maintain as a sealed and medically sterile environment. Frankly, Tom does not like his room, but he is safe there, and that is the main thing.

I thought of going to the beach, but there is the sun, and the ocean, and they are known killers. Plus, there are the jet skis. Those at least come with labels: "Riders of personal watercraft may suffer injuries due to the forceful injection of water into body cavities."

Still, all in all, better to stay inside. The next day, I drove my new four-wheel drive sport utility vehicle to work, of course with the daytime running lights on. My lighted-up behemoth makes a statement about me. It says: I am bold, daring soul who routinely drives through the valley of death. On the other

hand, please don't hit me. I felt safer at work, but to reassure myself completely I checked the bottom of my desk chair. The proper labels were there. One told me that my chair contained "New Material Only," in accordance with The Upholstered and Stuffed Articles Act.

The other said that my chair "meets all the flammability requirements of California Bureau of Home Furnishings Bulletin 116 and 117," and that it also "meets the requirements of the BIFMA First Generation Voluntary Upholstered Furniture Flammability Standard for Business and Institutional Markets."

These made me feel better, but then I began to worry. The more I thought about them, the more the labels raised troubling questions.

What are "flammability requirements?" Wouldn't it be better to impose nonflammability requirements? Also, what is "First Generation Furniture?" Is this an ethnic thing?

Also, what is Voluntary Upholstered Furniture? Why is the furniture's right to choose whether it gets upholstered or not a consumer safety issue? How do you tell Voluntary Upholstered Furniture apart from Involuntary Upholstered Furniture?

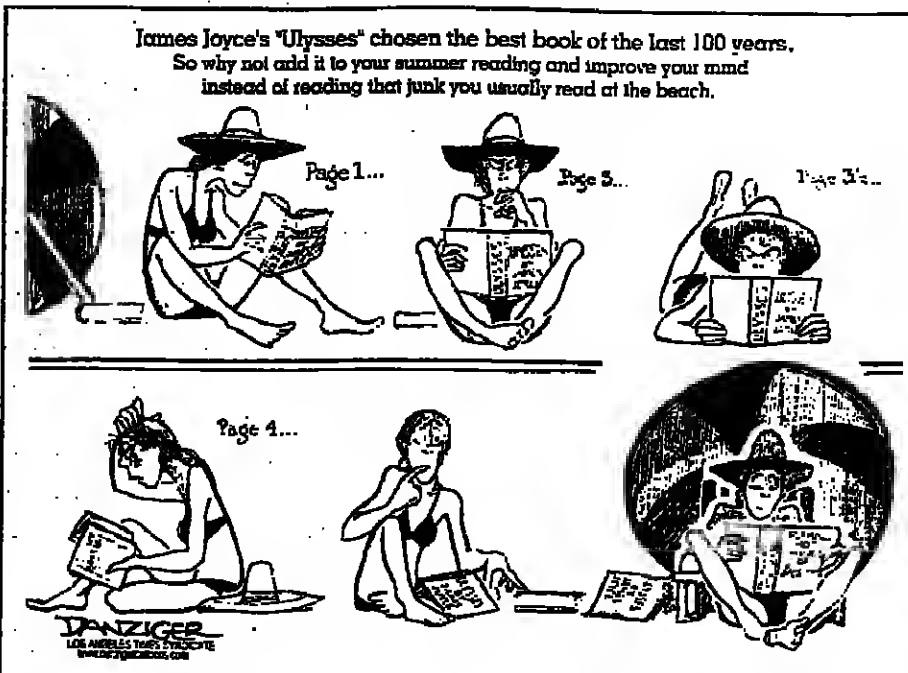
So life goes where I live. Here we are terrified of the weather. When it is hot, or cold, or snowy or rainy, everyone rushes to the safe way to buy bottled water and bread, and the television and radio weather reports take on a tone of apocalyptic suitability to a plague of locusts.

Here we take Al Gore seriously. Here we don't set off fireworks on Independence Day, and we guard our children on Halloween. Here we wear bike helmets. Here we think that sneaking cigarettes is the greatest danger our teenagers will ever face, and we may well be right.

But not everything upsets us so. In the parts of the cities where we try very hard never to go, the schools are holding pens for illiterate children, and two-thirds of the babies are being raised without fathers. Half the young men will end up in jail, and the poverty rate among children is equalled only by the unemployment rate among adults.

But those dangers we can live with, in weenie nation.

The writer is editor of the National Journal. He contributed this column to The Washington Post.



LETTERS TO THE EDITOR

Warfare That Blinds

In the last 100 years, humanity has only once succeeded in banning the use of weapons considered unnecessarily cruel before they were ever used. This happened in 1868, when a ban on exploding bullets was introduced.

This will happen again July 30, when Protocol IV on blinding laser weapons, adopted at the 1980 Convention on Certain Conventional Weapons, comes into force, prohibiting the use and transfer of weapons designed to cause permanent blindness.

By the early 1990s, laser technology had developed to the point that blinding laser rifles and other similar devices had gone from science fiction to frightening reality. The International Committee of the Red Cross and the international community decided to act before a new chapter could be written on the methods and means of waging war.

There was a strong humanitarian rationale for doing so. Sent across a battlefield at distances of up to several kilometers, the beam of an antipersonnel laser strikes the retina and, in a fraction of a second, in most cases burns it beyond repair. There are no devices that offer protection against these weapons.

The new norm contained in Protocol IV bans the use of any laser weapon specifically designed to cause permanent blindness. It does not prohibit the use of lasers for legitimate military purposes such as range-finding and target selection.

The protocol recognizes, however, that the use of such devices is a cause for concern, as many of them are not "eye safe." States are obliged to take all feasible precautions, including the training of their armed forces, to prevent the blinding of individuals.

The ban on blinding laser weapons received widespread support, and the protocol was adopted by all the states attending the 1995 conference at which the 1980 convention was reviewed. To date, 24 countries have ratified it.

The United States, which is considering ratifying the protocol, had already adopted a policy prohibiting blinding laser weapons. It subsequently terminated a tactical laser weapons program. Other countries have implemented similar policies.

While Protocol IV bans only blinding laser weapons, it has also served to stigmatize deliberate blinding as a method of warfare, whatever the means employed.

But that is not enough. The use and transfer of these weapons were prohibited, but a ban on their production, although supported by many countries, was not adopted in 1995. This issue should be addressed at the next review conference, scheduled for 2001.

Meanwhile, countries should take steps to ensure that the technology for producing such weapons is carefully controlled and does not fall into the hands of criminal or terrorist organizations.

CORNELIO SOMMARUGA, Geneva.

The writer is president of the International Committee of the Red Cross.

Honey for China

Regarding "Clinton Did Lasting Harm in China" (Opinion, July 11) by Charles Krauthammer:

From the point of view of Theodore Roosevelt's "big stick" diplomacy, President Bill Clinton's visit to China was a failure. But even at the turn of the last century, big stick diplomacy worked only

with small or decadent nations. Today only a country that is coward or wants a large financial favor will knuckle under to this tactic.

In China, Mr. Clinton accomplished far more than I thought he would. He used a subtle rapier rather than a bludgeon. His known views were placed diplomatically not only before the Chinese leadership but also, more importantly, before the Chinese people.

It is by such nudges that the world will slowly come together and become a better place. To use an old but applicable saying, "you catch more flies with honey than with vinegar." There are times when vinegar must be used, but this wasn't one of them.

I am glad Mr. Clinton gently showed China the door it can use to enter the community of nations.

GERALD C. HARDY, Manchester, Connecticut.

Hitler's Successor

Regarding "Capital Dilemma: Berlin and Its Culture: Foucault's Metropolis" (Books, July 16):

The otherwise informative review of a trio of Berlin histories made a mistake when it accused the author Alexandra Richie of erring when she wrote that Joseph Goebbels succeeded Adolf

Playing a Dangerous Game

By Wayne Cooper

CHARLOTTE, North Carolina — The recent announcement by President Bill Clinton that he supports the bipartisan bill that would hold adults criminally responsible if they allowed children easy access to firearms reminded me yet again of that day when, at 12 years old, I put a gun to the head of my best friend, Calvin Miller.

I had overheard my father tell one of his friends that he did not have ammunition for the gun, so I thought it wasn't loaded. I was wrong.

I had lured Calvin into my parents' bedroom while they were away at work. Thirty-three years later, I can't forget how he smiled as I toyed with him about pulling the trigger.

The pistol was a spool from World War II, when my father had shot a German riding a motorcycle on a dirt road. He said that when the soldier took the hit, the bike went into a loop for a couple of revolutions before falling into the dust.

MEANWHILE

The soldier's black 9mm handgun was engraved with the words "The Queen of the Netherlands." The theory was that the Nazi had taken it from one of the queen's guards before my father had claimed it from the mortally wounded German.

Guns were part of our home furnishings. There was a rack of assorted weapons on display in our dining room. I received my first firearm, a 20-gauge shotgun from Sears, when I was 10 years old.

I loaded it with shot for the first time on the same night that the Beatles went on "The Ed Sullivan Show." I stuffed cartridges in and out of the gun while trying to catch glimpses of the show, but I had to be careful that Dad didn't notice I was interested in the British pop stars. He said they were sissies.

When I took the Sears weapon outside to break it in, Dad and Granddad encouraged me to shoot some birds perched on a fence, I pretended I couldn't see them. They pointed and instructed me: "There! Shoot that one." "Where?" "Over there! Can't you see that one there in front of you?" I squinted and played blind.

The charade went on for several minutes until they finally gave up. A few days later my father sent me to the doctor for glasses. I guess the last thing that he could ever imagine was that his son had no guts to kill. But I got over it.

The last animal I killed was a squirrel feeding in the bough of a weathered oak. I set the gun's sight on its silhouette, which was stenciled in the sun, and fired hot lead into the twisted branch. I ran to the tree and found the squirrel writhing in the grass, staring up at me in stark terror. I left it to die alone.

ELLEN SHURE, Lübeck, Germany.

but its bleeding, frightened image lives on in me.

When I pulled the handgun on Calvin, it was so easy. I reached into the top right drawer of my parents' bureau. I knew exactly where it was. I slipped my hand under some papers and sneaked it out. I teased Calvin for a while, and he smiled and kept saying, "Cooper, don't do it." I waved it in front of his face. He turned his head away slowly: "Cooper, don't do it."

Calvin understood how lethal guns could be. His father was a county sheriff. "All it takes is just one squeeze," I

At age 12 I put a pistol to my best friend's head. I've wondered many times why I didn't pull the trigger.

reminded him. I delighted in his obedience. I was a god with the pistol in my hand.

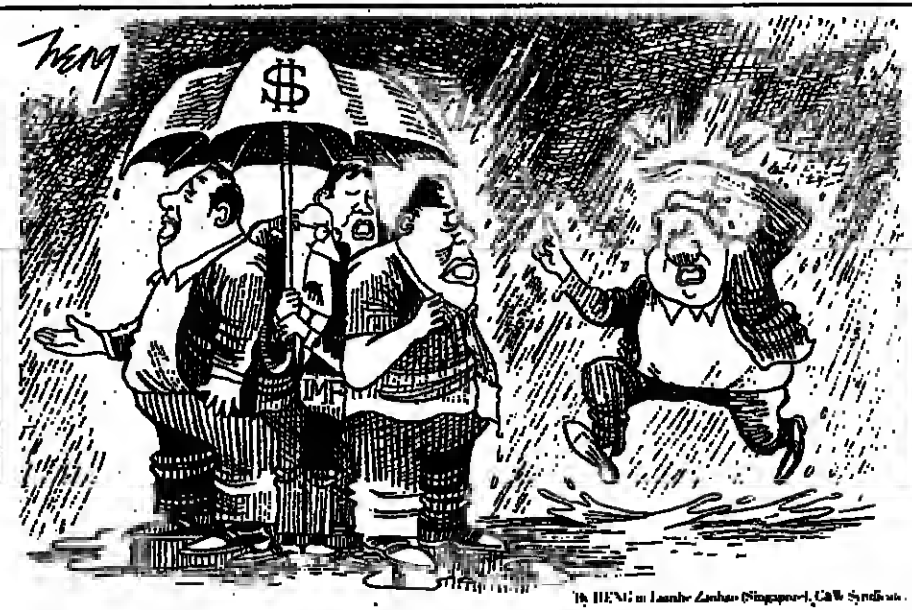
I pressed the steel barrel against his left temple and ordered him not to move. He froze. I fingered the deadly little trigger.

"Cooper, don't do it," he whispered again. So I didn't. When I pulled the magazine out to show him it was empty, there were eight bullets stacked inside, with one poised in the chamber. Both of us were shocked. Calvin left in a hurry. I don't remember speaking of it again.

I've wondered many times why I didn't pull the trigger. I was so determined then that the click of the trigger in his ear would be the laughing climax of my foolish prank.

When I read the statement by Senator John Chafee, Republican of Rhode Island and co-sponsor of the bill, that the new measure would provide a powerful incentive for adults to store their guns safely, I remembered Calvin. And I hoped Mr. Chafee was right.

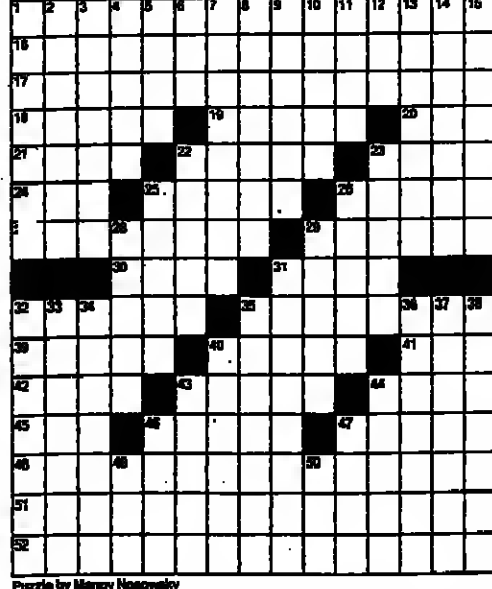
The writer, who sells computer systems to the transportation industry, contributed this column to the Los Angeles Times.



CROSSWORD

- ACROSS**
- Some noncoms
 - Risking danger
 - So as to annoy
 - Cheerful
 - Leave a mess
 - Some docs
 - Biscuit ingredient
 - Kind of col. or cmdr
 - Start of a carol's refrain
 - British verb ending
 - Bruce of old movies

- DOWN**
- Truman's birthplace
 - "The _____ Kid"
 - Some Slim Fast offerings
 - Distractions annoyances
 - Impatience
 - The 51st Psalm
 - Diane's successor on "Cheers"
 - Utopian novel of 1872
 - Dispense, as small shares
 - Form of some dynamite
 - King crab
 - Emerging
 - Duties
 - Chevrolet introduced in 1906
 - Second-century anatomist
 - Cowboy's rope
 - French novelist
 - China problem
 - Brain and spinal cord: Abbr.
 - Grads-to-be



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Solution to Puzzle of July 23

MADE INAT BLESS
ELIA REDD LIMIT
TOSS EWER AVILA
AGHEELS PABELLY
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Leisure

Isle of Skye's Scenic Route: Glens, Lochs and History

By William Grimes
New York Times Service

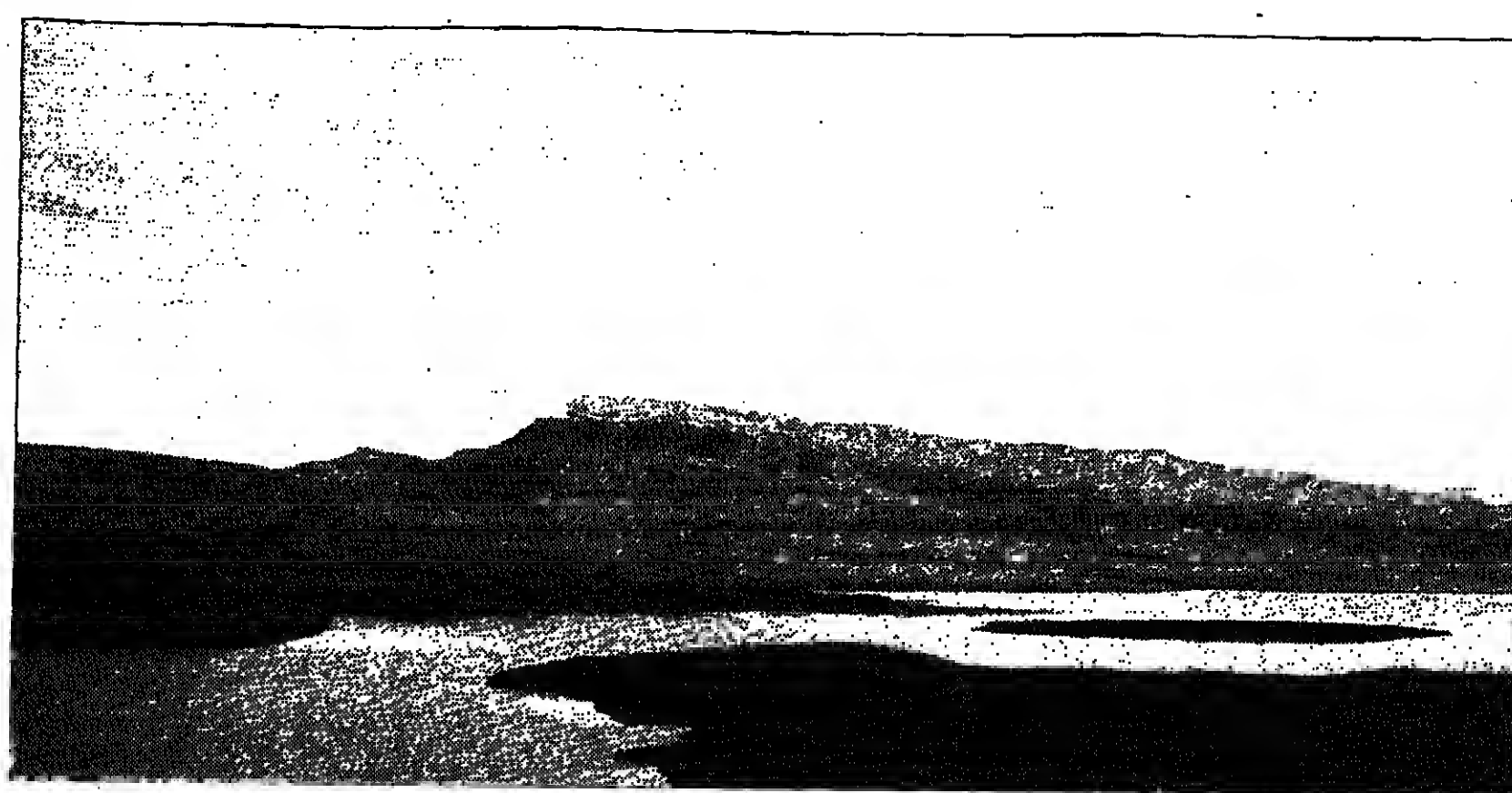
PORTREE, Scotland — Every right-thinking visitor to the Isle of Skye must master the etiquette of the one-track road. The island, a large, many-fingered blob between the western Highlands and the Outer Hebrides, does have a basic network of two-lane roads, but the real driving begins on the narrow trails, often unmarked, that wind from glen to glen, skirting silvery lochs, crossing desolate moors and sheep pastures, or running headlong into the forbidding, upthrust mountain chain known as the Cuillins.

From time to time, a car approaches. Or a fat caravan. Or, for that special thrill, a tour bus barreling along at high speed. Custom dictates that the vehicle closest to a passing place, a hinge in the road indicated by a diamond-shaped sign, should pull over and wait for the other vehicle to proceed. The driver who forges ahead, must acknowledge the courtesy with a wave. If multiple cars are stopped, one wave for the group will do. Each waiting car gets its own payoff. It matters.

In the course of a week's stay on Skye, my wife and I spent a fair amount of time analyzing the sociology of the single track and criticizing our fellow drivers. Almost any road on Skye qualifies as a scenic drive, so the temptation is strong to turn off the two-lane roads and follow the corkscrew single-tracks wherever they may lead — across squishy moorland covered in purple heather, over alpine meadows and stretches of grassland that suggest high chaparral country, along bold headlands thrusting out toward the sea, past the mesa-like formations known as MacLeod's tables, and the scarred, ragged Red Cuillins and Black Cuillins, geological lords of the island.

The light on Skye is magic, the weather so unpredictable and quick to change that listening to the forecast becomes something of a joke. Bright sunshine and a startlingly pure, pale blue sky could vanish in an instant, as a flat gray line of cloud slammed down and emitted a fine, high-velocity spray.

Our base of operations was a white-washed cottage perched above Glendale, a scooped-out valley in far north-



Almost any road on Skye qualifies as a scenic drive — across moorland covered in purple heather, over alpine meadows or along craggy headlands.

western Skye, on the Duirinish Peninsula, with a view over Loch Pooltiet out to the low, rolling hills of North Uist in the Outer Hebrides.

A HISTORY OF CLAN RIVALRY Skye does not make enormous demands on the cultural tourist. Its history is dominated by two clans, the MacDonnells and the MacLeods, and two events, Bonnie Prince Charlie's secret journey across the island after the Battle of Culloden in 1746, and the visit of Samuel Johnson and James Boswell in 1773.

The history of the mighty MacDonnells, who, as hereditary lords of the islands, held sway over Skye, the Outer Hebrides and even large chunks of the mainland in the 15th century, gets the full treatment at the Clan Donald Visitor Center, in Armadale, on the Sound of Sleat at the southern end of Skye. The

center, a renovated stable behind the ruins of Armadale Castle, includes a study center and museum devoted to the 1,300-year history of the clan, as well as nature trails and a restored Victorian garden. The MacLeods' story can be read at Dunvegan Castle, an uncompromising stone fortress facing Loch Dunvegan that has been the clan's seat since 1200.

The nerve center of Skye is Portree, an attractive port and fishing town with a string of whitewashed hotels, restaurants and shops lining the harbor. In summer the town teems with visitors, many of them backpackers on hiking or climbing expeditions. The tourist office, on Bayfield Lane, near the harbor, is large, efficient, well stocked with maps, touring guides, hiking itineraries, histories, Skye-related fiction, and even an invaluable little treatise on the midge, a tiny, gnath-like creature.

The midge is a fact of life in the Highlands and Islands. We arrived with fear in our hearts, especially after reading a newspaper item about a sheep that caused a three-car pile-up after bolting onto a road to escape a midge attack. But the breezes that blow almost constantly over Skye disperse the midges, which appear from late May to early September.

Sunlight also has a deterrent effect. Midge swarms tend to occur when the breeze dies down and light begins to fade. Know the ways of the midge, counsels the author of "Midges in Scotland," adjust your schedule, and the problem becomes manageable.

At least that was true on Skye's northern peninsula, where we concentrated our touristic efforts. The more thinly populated, wilder north caught our fancy. Hardly a car was to be seen as we circled the Trotternish Peninsula, an el-

evated headland pointing straight across the Minch to Harris.

At Trumpan, a steep coastal road passes the ruins of the church set afire by the MacDonnells and the MacLeod graveyard, before descending to Stein, a tiny village overlooking Loch Bay whose single street includes the 16th-century Stein Inn and the Loch Bay Seafood Restaurant, an inviting, beamed room where the chalkboard specials depend on the day's catch of hake, lemon sole, halibut, haddock, Dover sole, monkfish, cod or plaice.

GREAT drama lies just a step eastward, on the Trotternish Peninsula, a thumblike protrusion whose coastal road offers views of the Hebrides to the west and the Highlands to the east. Its weirdly sculptured topography, carved by glaciers from the

4,000 feet (1,200 meters) of lava that volcanoes deposited on what was once a coastal lagoon, includes two of Skye's most famous rock formations, the Old Man of Storr and the Quiraing.

UNUSUAL MUSEUMS

Our own peninsula seemed to specialize in unusual museums, although nothing quite matches the Haggis Museum in Portree, where a series of dioramas presents the natural history of the mythical beast.

A more serious endeavor is the MacCrimmon Piping Heritage Center, a small building in Boereraig, on land deeded to the MacCrimmons, hereditary pipers to the MacLeods. The center offers courses of instruction, and at its shop the newly converted can buy CDs, tapes or, indeed, a full set of bagpipes.

Another site worth visiting is the Colliest Croft Museum, in Colliest, a traditional stone crofter's cottage with thatched roof, a dirt floor, some rudimentary sticks of furniture, a few dishes, and an iron pot suspended over a peat fire in the center of the main room. The cottage speaks eloquently of the harsh conditions endured by the crofters who scratched out half a living from their tiny plots.

In one of history's little ironies, the next-door neighbor happens to be the Three Chimneys Restaurant, one of Skye's two culinary temples, the other being the Kinloch Lodge.

The wretched crofter's cottage is the flip side of the proud clan histories. In the late 18th century, when farmers from the north of England learned that Cheviot sheep could survive the Highland winters, they pushed northward, offering farmers for grazing land. In a miserable episode known as the clearances, the clan chieftains forced their tenants off the land where they had farmed and grazed sheep and cattle for generations. Skye became a hothouse of unrest, and an uprising by crofters in Glendale led to land reforms that still govern life on the island.

Sheep play a major role in the tourist experience on Skye. The background music on the island is the quiet but unmistakable tearing and crunching sound made by a vast woolly army, teeth moving triple-time over succulent grass.

Ramblings Along Vancouver Island's Remote Shores

By Nancy R. Newhouse
New York Times Service

VICTORIA, British Columbia — Crossing Vancouver Island on the Pacific Rim Highway that traverses it, you see an opening up, a broadening of the horizon, about halfway across the Mackenzie Mountains come into view and signs of civilization dwindle to nothing.

The patchwork shades of green covering the slopes, as you come closer, turn out to be immense reforestation projects in various stages of growth. Logging is an important part of the history of this island, as it is of all of British Columbia, and some of these giant forests of ancient cedar, Douglas fir and Sitka spruce were cut in the late 19th century. Other sections along the highway were logged as recently as the early 1990s.

The new trees, and those from the '40s and '50s that are now imposing evergreens, are posted with neat company signs giving the reforestation dates. The waves of green stretch on endlessly, monotone within their individual sections, broken occasionally by a section of clear-cutting littered with ghostly silver spurs, stumps and low bushy growth.

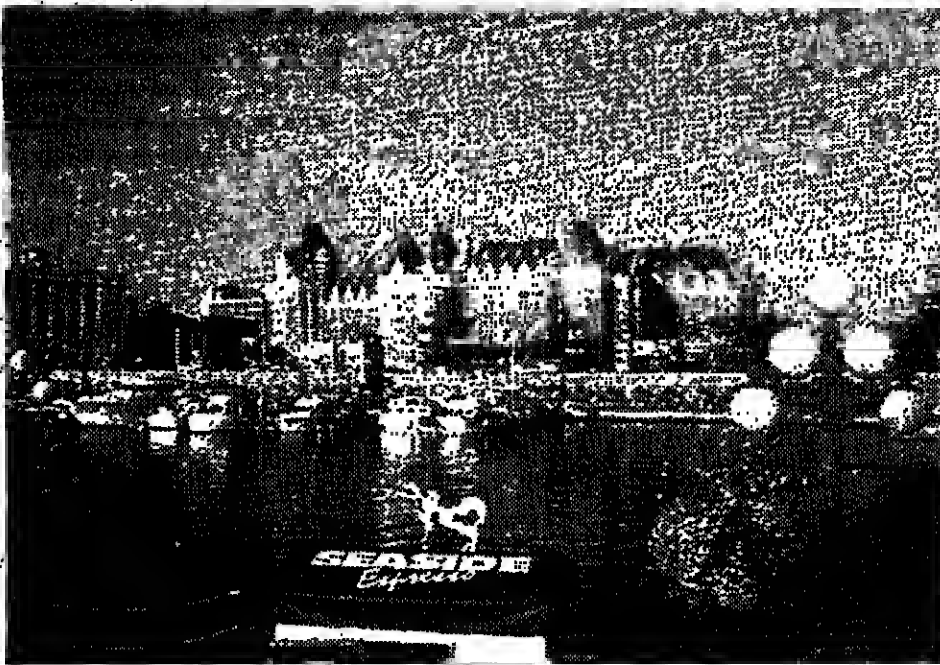
Despite this quiltlike pattern of intrusion, the landscape is magnificent. Vista succeeds vista from the high mountain passes, and the snaking two-lane road twists down to skirt the shallow, rushing Taylor River and deep lochs. Only when you see the mighty old-growth forest where it has survived in the western coast or Cathedral Grove, the small park of old trees along the road near Port Alberni, do you realize what once was here, and how puny the replacement forest is in comparison.

After a drive of five to six hours from Victoria, at the southern tip of the island, the road descends toward the Pacific, and you can sense the ocean heat can't see it. At the coast, the highway reaches a junction with the road between the two small towns of Ucluelet and Tofino.

When we made this trip last August, my husband and I had few preconceived notions. I had wanted to visit Vancouver Island for years, in part because my grandfather and father were both loggers here decades ago. As a child, my father rode a pony to school on the island, when it was still mostly wilderness. The road into Tofino was built in 1956, and paved only in 1972.

A LIVELY PORT Having seen my share of bleak little Western towns, I assumed Tofino wouldn't be much different. In fact, the small port is lively and picturesque, on a breezy harbor backed by turquoise, on a breezy harbor backed by turquoise, dotted with islands, looking out over Clayoquot Sound and the Pacific. Meares Island, still clothed in its ancient cedars, rises steeply across Tofino Inlet on one side, with a village of the Clayoquot people at its base that has been in that spot for thousands of years.

Several of the town's pleasant cafés and restaurants have decks or porches where you can sit and look out to sea or watch the hustle at the pier as an endless succession of small tour boats, kayaks, Zodiacs and seaplanes set out on whale-



The Empress Hotel and inner harbor of Victoria, the capital of British Columbia, on Vancouver Island, left: quaint wooden houses at Telegraph Cove.

with a surprising number of young backpackers and tourists from Europe, we saw several groups of young hippies who looked straight out of the '60s. They had found, it seems, one of the "last good places."

After spending the night in a funky small Tofino hotel on a quiet, lovely ocean cove, we picked up supplies and drove a short distance toward the cottage we had rented for a week on Frank Island — actually no island, but a small point of rocky land extending into the ocean from Chesterman Beach.

The lack of road access is both its charm and its drawback. We had to haul our stuff more than a mile down the beach, but it was well worth it. For the one-room-with-views cottage became a base from which to explore this beautiful corner of the world, alternating between somnolence on our small, perfectly sited deck where we could watch the resident bald eagle wheel in at sunset, and expeditions "off island."

This section of coast is protected as part of the huge Pacific Rim National Park Reserve, 78 miles (125 kilometers) long and divided into three units, one of them the famous 45-mile West Coast Trail. Tofino is just above the northern border of the Long Beach unit of the park, which includes spectacular wide sandy beaches and a number of easy walking trails, as well as longer, tougher hikes.

Although initially we were disappointed to see the paved parking lots at the head of the trails, with carefully maintained boardwalks rather than footpaths on some of them, we came to appreciate these amenities. When you're not watching out for your feet, you can look up. And your gaze shouldn't be earthbound on the Rain Forest Trail, where, despite the nearness of the road, you are soon surrounded by gigantic western red cedars and western hemlocks, some more than 300 feet (90 meters) high, with a dense undergrowth of shrubs, an assortment of brilliant green ferns and carpets of heben and moss.

Another fascinating walk, absolutely

flat and quite tame, is the Shoreline Bog Trail, also a boardwalk, just a half-mile circuit. Here, in an open landscape of stunted growth, the bog has created a world of miniature trees and plants, with hummocks of sphagnum moss in the boggiest parts rising out of the expanses of sedge like small, cunning Japanese gardens — a bit spooky and wonderfully strange.

To see the grandest trees, the 800-year-old cedars with enormous girths, we

went to Meares Island, which is not part of the park, a short boat ride across Tofino harbor. Down along the docks, local entrepreneurs buzz back and forth ferrying people to the island in small outboards, establishing a time to come back and pick them up. We stayed a few hours, plenty of time to complete the boardwalk trail: several backpackers were being deposited for a half or full day to follow the 18-mile footpath, tougher going with twisted roots and patches of

mud along the way, that makes a circuit around this part of the island.

On another day, we drove up Radar Hill, a World War II radar installation with sweeping views up and down the coast. Although we did not take the steep, long hike down to the beach, we did follow the half-mile Schooner Trail through majestic forest, down to Schouner Cove, yet another perfect beach with no more than a handful of people on it. Just next door stretched Long Beach, the

centerpiece of the Pacific Rim Park and its most popular area.

But we hardly needed to seek out beaches, since facing Frank Island was a fine one. Unlike the majority of the beaches on this stretch of coast, Chesterman is not part of the park, and is developed. Although it is lined with private houses and a few bed-and-breakfasts, they are almost invisible under a heavy fringe of towering old-growth trees. Quite visible on a rocky point at the end of the curving beach is the Wickaninnish Inn, a handsome 46-room hotel.

We went in to take a look, and were impressed with the well-designed, three-story cedar post-and-beam structure, the splendid views and the spacious dining room looking over the water. The restaurant, the one elegant dining spot in the area, was fully booked, so we reserved for a few days ahead.

When the time came, we decided to hike down the beach to dinner, which was delightful at sunset, and considerably more challenging on the return, by flashlight, after a bottle of excellent Reserve '95 Blue Mountain pinot gris, from a British Columbia vineyard. The sophisticated menu, starting local fish as well as entries from Hawaii and other seas, was impressive, and the service was attentive — a surprise on these remote shores.

Our most adventurous trip was to Hot Springs Cove, one of the popular excursions out of Tofino, which takes a good half day. (The sunset version sounded enticing too.) We signed on to a comfortable cabin cruiser for the hour-and-a-half trip up the coast, along with about 10 other passengers.

ALONG the way, we did a little whale-watching, adjusting the route when the captain heard that whales had been spotted in the vicinity. But the most any of us saw were several tantalizing spouts. Mid-March to early April is the high season for seeing migrating gray whales in these waters.

Eventually, we came into a deep cove that felt more like a fjord, and debarked along with another boatload at the wharf for the one-mile boardwalk trek through more lovely forest, carrying our bathing suits and towels. The natural hot springs, long used by the Indians, are now part of a provincial park. Up above the shoreline are a cluster of small steaming, rocky pools, with towering trees as backdrop. After soaking in the water — along with a handful of other visitors, and edging along from one pool to the other, we felt too Jell-O-like to clamber down the sharp, slippery rocks to the water's edge.

It's the luck of the draw here whether you encounter just a few other bathers or find yourself part of a loud and hilarious group — something about the communal pools and the setting makes people giggle. Not long after we arrived, a slightly boisterous "Hi, Dude" group left to meet their boat, and the rest of us soaked in relative serenity, looking out at the Pacific, where whispers of fog were starting to drift in.

After that day of exertion, we stayed put on our minuscule island home, doing nothing more exciting than exploring the colorful tidal pools.

While growing in British Columbia's Okanagan Valley. Page 10.

DINING

Hidden Hazards of Creativity

By Patricia Wells
International Herald Tribune

PARIS — Few chefs in France are as audacious — or intellectually stimulating — as Alain Passard. While I think this Michelin three-star chef misses some of the time, and I doubt that the average diner will be enchanted with some of his offerings, I applaud him for bravery and intelligence.

After all, where would he be if all chefs stayed with the same old 100 favorites of French cuisine? Passard brings to the table a newness, a sense of awakening, presenting our palates and our minds with new combinations of flavors, textures and ideas.

A recent tasting lunch showed off his wild creativity, his touch of genius, as well as some of his shortcomings.

Like many chefs, he is moving more and more toward a menu that stars vegetables rather than fish, shellfish, meats or poultry, and the star of the nine-course menu was a salad that hit all the right notes: pencil-thin green beans interlaced with crunchy fresh white June almonds, thin wands of pink

peaches all bathed in a delicate mint sauce. Texture, color, flavor were all there, and made one's palate wake up and ask: Where have you been all my life? A new dish — a vibrant red gazpacho thick with olive oil and paired with a mustard-flavored ice cream — was a winner, but would have been better if proportions had been reversed. A lot of gazpacho and just a few teasing tastes of the delicate mustard ice cream would have been a better choice.

I part company with him on his now classic carpaccio of langoustines, though I defend his right to serve this courageous carpaccio of one of my favorite shellfish. I feel strongly that langoustines should be honored with a bit of heat, to intensify the iodine-rich flavors and transform the soft, moist texture into clouds of ecstasy.

A whole baby frog leg stuffed with a minced tomato mixture and bathed in a smoky pimento sauce was another winner. And though I loved the idea of half a potato served with two leaves of fresh sage and stuffed with foie gras, it didn't work. The sage was much too abrasive and the foie gras was left in the dust.

A T-bone of grilled lamb sounded better than it tasted, since it was cooked to a mealy dryness. The idea of pairing it with an outstanding fondue of onions won my heart, but the accompanying dates as well as the cumin crust on the lamb seemed to stand out on the menu but not in the mouth.

He closed with a whole roasted peach that was pure perfection. Too bad the fluorescent green verbeena ice cream was blah and too shocking to be palatable.

I am a fan and will remain so. Passard is a gambler and I'll keep betting on his talent.

Service as ever is a bit heshant. Wine choice on this visit was adventurous but not always successful. The best of the lot was a Cotes du Roussillon-Villages Domaine Gauby 1996, a blend of grenache, mourvedre and syrah that is filled with punch and power.

Arpege, 84 rue de Varenne, Paris 7: tel: 01-43-51-47-33; fax: 01-44-18-98-39. Closed Saturday and Sunday. All major credit cards. 390-franc (\$65) lunch menu, 890-franc dinner menu. A la carte, 500 to 1,000 francs, including wine but not service.

LEISURE

A Wine Lover's Tour of British Columbia's Okanagan Valley

By Melissa A. Trainer

New York Times Service

KELOWNA, British Columbia — The 150-mile-long Okanagan Valley in British Columbia has produced wine since the first vines were planted by Father Charles Pandosy, an Oblate missionary, in the 1860s, but only in the last few years have the wines come of age.

Blessed with more than 2,000 hours of sunshine annually, the valley is a great place to grow grapes and make wine. Tucked between the majestic Coast Mountains to the west and the Monashee Mountains to the east, with the Canadian Rockies just a stone's throw beyond, it's also a fine spot for rambling around with 25 provincial parks.

The semiarid valley, home to 35 of the more than 45 wineries in British Columbia, is starting to attract attention from afar. Winemakers and students from Europe, New Zealand and California are setting up shop. Whites, such as chardonnay, riesling, pinot gris, pinot

blanc and gewurztraminer, reign supreme and thrive in the cool climate of the central and northern regions. Reds, like merlot and pinot noir, prefer the warmer climate of the southern Okanagan.

Because the winemakers produce small quantities of high-quality wines, there is only a limited supply, and the best way to get some is to visit the source. Eighty percent of the production is still sold only in Canada.

At the end of May, my husband, two children and I vacationed in the valley, a six-hour drive from Seattle north and east through the Coast Mountains in British Columbia. Coming down into the valley, we set our sights on Kelowna, the largest city in the area and our home base for the trip.

The Casa Loma Resort, nestled on the lake in a residential neighborhood, suited our needs perfectly. Our two-bedroom cottage had a well-equipped kitchen, a bathroom, a deck and a gas grill nearby. The lake's sandy shore was no more than 50 feet from our small deck, and the pools and hot tub were a short walk

away. A playground, immediately spotted by our 3-year-old daughter, sat at the top of a small hill. While she mastered the slide, I studied road maps and charted our course. In the end we managed to visit six wineries. All offer free tastings.

The Wine Museum, in Kelowna, was one of our more informative stops.

Quails' Gate Estate Winery, just a few minutes' drive from our hotel, was at the top of my list. The 115-acre (46-hectare) winery specializes in pinot noir and chardonnay, and the wine shop is in a charming 1873 log home. At the tasting bar, we were served the 1997 gewurztraminer, 1996 chardonnay limited release, 1996 merlot and 1996 pinot noir.

The next morning we targeted Summerhill Estate Winery, a 65-acre winery in Kelowna that draws visitors by the busloads. Owned by Stephen Cipes, a native New Yorker, the winery is British Columbia's largest sparkling wine house and is attracting attention for its unique pyramid-aging system. Every bottle of sparkling wine goes into a 15-foot-high pyramid for aging, and Cipes

is convinced that his custom-designed buildings enhance the process.

We tasted the Cipes Brut, a sparkling wine made in the traditional method from riesling grapes; it has been British Columbia's best-selling sparkling wine for four years now.

FINALLY we tasted the very sweet ice wines, which because of the climate are a valley trademark. The Vintners Quality Alliance, or V.Q.A., standards specify that ice wine can only be made after temperatures have fallen below 12 degrees Fahrenheit and the grapes have been naturally frozen on the vine. The result is a highly concentrated sweet wine that uses about 10 times more grapes per liter than normal. The wines fetch a hefty price.

We moved on to the Amphora Bistro at Hainle Vineyards Estate Winery in Peachland for lunch. The only certified organic winery in the valley, it was also the first to open its own restaurant. Others have since followed. After a quick taste of Hainle's extraordinarily dry wines,

we headed for a table on the deck.

Our next adventure took us to Penticton, about 43 miles (68 kilometers) south of Kelowna. While cruising Highway 97, the main road through the valley, we admired Lake Okanagan on one side and beautiful clay cliffs on the other.

At the suggestion of the British Columbia Wine Information Center in Penticton, we headed for nearby Naramata, a hamlet of very small wineries where we could meet the winemakers.

Our first stop was the 12-acre Red Rooster Winery, the newest in the Valley. Prudence Mahler, the Swiss-born owner, greeted us with family pets in tow and invited us into the wine shop built by her husband, Beat, the co-owner.

At their tasting bar we tried two of their V.Q.A.-certified wines — a 1997 blush and 1997 riesling. The Mahlers also had six varieties of ice wine on deck.

No more than a half-mile down the hill we found Kettle Valley Winery co-owned by Bob Ferguson and his brother-in-law, Tim Watts. Inside the wine shop were more than 50 oak barrels

aging his 1997 cabernet merlot, chardonnay and pinot noir.

We had dinner at de Montreuil, a lovely restaurant in Kelowna. More than 30 local vintages top the wine list, and regional ingredients, such as Montmorency cherries, handmade cheeses and range-fed beef, stock the larder. Gray Monk Estate Winery in Okanagan Center, 15 miles north of Kelowna, was our final stop. We wanted to bring home some of its award-winning and unusual V.Q.A. vintages. The Austrian-born George Heiss owns the 50-acre winery with his wife, Trudy, and their sons. The family has been growing grapes on the property for 26 years; they've been making wine for 16 years, and have played a key role in bringing unusual grape varieties to the valley: auxerrois, rothenberger, pinot gris, Alsatian gewurztraminer and kerner are now grown successfully at Gray Monk.

Melissa A. Trainer, a food writer living in Seattle, wrote this for The New York Times.

MOVIE GUIDE

THE MASK OF ZORRO

Directed by Martin Campbell, U.S.

"The Mask of Zorro" extends a tempting invitation: travel back to the days when swashbuckling was serious business, when boyish adventure films still had their innocence, when the bravado of thrilling stunt work was all a movie needed in the way of special effects. This is hot-weather escapism so earnestly retrograde that it seems new. Directed by Martin Campbell, who gives it the same gaudy Bond-ian brio he brought to "Goldeneye," this Zorro features heroic derring-do from three men. First and most distinguished is Don Diego de la Vega. Zorro Senior, played by a marvelously game Anthony Hopkins with unexpectedly elegant panache. Then there is the jokey, hot-blooded protégé, the role that Antonio Banderas was born to play. And behind the scenes there's Robert Anderson, sword master to the stars for 45 years (he worked with Errol Flynn), who has choreographed the film's many sword fights with spectacular flamboyance. If Anderson's style looks familiar, that may be because it was he who matched fight-sabers with Luke Skywalker while dressed in a Darth Vader suit. There are "Star Wars" overtones to the story here, too, since "The Mask of Zorro" draws on the relationship between mentor and hero-in-training with the same debt to Joseph Campbell's mythic motifs. None too seriously, you understand — just well

enough to keep the film's castanets clicking. This format requires an early tragedy, and that happens when Zorro Senior loses his raven-haired wife and baby daughter to the evil Don Rafael Montero (Stuart Wilson), an early-19th-century Spanish governor of Alta California. Though the dashing Don Diego has donned the Zorro mask to fight Spanish oppression (see assorted Zorro reruns on the late show for further details), circumstances now demand that he vanish for 20 years. He turns up again in the midst of a scraggly, unwashed crowd who can be described only as wretches in this context. Meanwhile, no less scraggly is a hapless thief named Alejandro Murietta (Banderas) who has his own grisly reasons for hating Don Rafael. Clowning merrily without jeopardizing his smoldering quotient, Banderas is shaped most endearingly into a protégé worthy of mask, steel, mission and the works. Gracing "The Mask of Zorro" with a beauty inevitably described as "beyond compare" is the stunning Catherine Zeta-Jones. She plays Elena, Don Diego's long-lost and predictably raven-haired daughter, and she does it so showstoppingly that the film's appeal extends well beyond boyish action-adventure. Enchantingly paired with Banderas for a scorching tango, a hearty duel, a scene in a confessional that has him impersonating a priest and other such vintage-style encounters, Zeta-Jones makes her first major film



Antonio Banderas in the title role of "The Mask of Zorro."

role one to remember. Though its major sets and vistas have their blatant artificiality, there's nothing phony about the vigorous, sometimes jokey physical exertions on which "The Mask of Zorro" thrives. The wild bravado on horseback is on a par with dueling scenes. And as for the double who jumps spread-legged onto his saddle from a substantial height, well, he's a hero, too. (Janet Maslin, NYT)

THERE'S SOMETHING ABOUT MARY

Directed by Peter and Bobby Farrelly, U.S.

If the sight of a large chunk of a man's private parts caught in the teeth of a zipper is funny — and I'm not saying it isn't — then have I got a movie for you. "There's Something About Mary" is tasteless and sophomoric and proud of it. It is also fitfully amusing and ultimately

kind of heartwarming in a twisted sort of way, but only to the degree that you are able to stomach copious amounts of the aforementioned "qualities." Written and directed by brothers Peter and Bobby Farrelly (who brought you the gleeful idiocy of "Dumb and Dumber" and "Kingpin"), this comedy will separate the men from the boys faster than the drill instructor in "Full Metal Jacket." Its snickering brand of adolescent male humor may also separate the women from the boys in record time, too. Not to be sexist, but womanhood has been historically less obsessed than their brethren with infantile jokes about body fluids, genitalia and facial eruptions. The movie opens in 1985, when 16-year-old sweethearts Ted (Ben Stiller with a mouthful of braces and an Eddie Van Halen wig) and Mary (Cameron Diaz in pink dress and matching lipstick) are preparing to go to the senior prom. The dream date never materializes, however, because that's when Ted's manhood has its unfortunate encounter with the fly of his tuxedo 'n' tan tuxedo. Thankfully, we flash forward to 1998. Ted has long since healed — physically if not emotionally. Although they never saw each other again after that fateful night, he's still obsessed with Mary. At the urging of his best friend Dom (Chris Elliott, in rare, lunatic form), Ted hires a sleazy private investigator, Healy (Matt Dillon in pencil mustache and oversized fake teeth), to track Mary down. Stiller makes a cute schlemiel as he tries to make up for 13 years of lost

courtship and there are some funny moments involving Mary's unnaturally tan neighbor and her neurotic dog. But in between are stretches of plodding exposition that weigh down the frenzied tomfoolery. (Michael O'Sullivan, WP)

DR. DOLITTLE

Directed by Betty Thomas, U.S.

Eddie Murphy's slight remake of "Dr. Dolittle" makes "Mr. Ed" look like "Oedipus Rex." Murphy, in the role once sung by Rex Harrison, is a physician who can talk to animals. None in this movie, however, is so fanciful as the pushmi-pullyu of the 1967 kiddie musical and Hugh Lofting's stories. And given its emphasis on scatological humor, a two-headed, buttless beast would be all wrong for this kind-minded piece in which each and every one of the creatures can and does express itself from either end. Many suffer from flatulence, others from lack of control and still others just like showing their tails. Murphy, at his most insipid, is easily upstaged by the menagerie of beasts that overrun his practice and domestic life. There are real live comics under the feathers (Julie Kavner and Gary Shandling) and fur (John Leguizamo and Reni Santoni). The vocal talent also includes Norm Macdonald, Chris Rock and Albert Brooks, respectively guinea as a stray mutt, a streetwise hilarious pig and a suicidal tiger. Too bad the humans are such bores and the story practically oinks. (Rita Kempley, WP)

BOOKS

BEYOND BELIEF:

Islamic Excursions Among the Converted Peoples

By V.S. Naipaul 408 pages, \$27.95, Random House.

Reviewed by Richard Bernstein

IT has been 30 years now that V.S. Naipaul, born in Trinidad but of Indian ancestry, has been writing books about Third World civilizations in the postcolonial era, the books based on long travels to far-flung points on the globe. His penetrating, opinionated travel writing, added to his novels, makes up a remarkable running commentary on the clash of civilizations, or, perhaps more accurately, on the self-inflicted wounds of the countries emerging from foreign domination.

"Beyond Belief" is another in the wounded-civilization series, one that harks back almost two decades to another voyage and another book, "Among the Believers." In the earlier work, Naipaul traveled to Indonesia, Iran, Pakistan and Malaysia, the major countries to which Islam was not a native religion but was imposed by what might be called Arabian spiritual imperialism. "Among the Believers" was a portrait of a group of societies that turned to Islam partly to reject past, especially colonial pasts, that were deemed inauthentic by local revolutionaries. But in so doing, these societies adopted a foreign creed that was also inauthentic and that replicated the injustices that had motivated the revolutionaries in the first place.

Similar themes appear in "Beyond Belief," which is an account of return visits Naipaul made to the same countries and to many of the same people of "Among the Believers." But while much of the writing in the new book is memorably Naipaulian, Naipaul himself is less present on the scene than he was in

his earlier work. He writes almost entirely through the eyes of the people in the four countries whose stories he tells.

"Beyond Belief" is unusual travel writing in this willful semi-disappearance of this distinguished author, his determination to substitute for his own voice the voices he encounters. The result is often an extremely interesting, intimate and valuable set of portraits, even if "Beyond Belief" is also analytically vague, abstract despite the concreteness of its descriptions. In addition, the very large number of Naipaul's portraits, along with their considerable, seemingly unedited length, is sometimes wearying.

Still, there are numerous brilliant moments in "Beyond Belief," which represents a powerfully observed, stylistically elegant exploration of the four Islamic countries Naipaul visited.

He begins in Indonesia with a certain Imaduddin, whom Naipaul knew in 1979 as an Islamicist opponent of the corrupt Suharto regime. By the time of this return visit to him, Imaduddin has become an establishment figure, an avatar of an Islamicist future embraced by the authorities. "I felt in 1979 that the religion was under threat," he tells Naipaul. "Now I have my friends in the cabinet. It's God's will."

Imaduddin represents the continued emergence of Islam not just as a set of religious beliefs but also as the basis for government. The country where that is clearest and where that trend has most conspicuously advanced is obviously Iran, about which Naipaul's reporting is especially nuanced and sharp.

His previous visit, he reminds us, came when Iranian students had seized the American Embassy in Tehran and revolutionary fervor was at its highest. Since then, the devastating eight-year war with Iraq and the death of Ayatollah Khomeini have intervened, and both have sharpened the contradiction that

always lay at the heart of the Iranian revolution: that between the powerful forces of conservative theocracy on one side, and, on the other, the desire for respite, a fatigue with the revolution, and the emergence of various sorts of rebellions, especially among the youth.

What Naipaul does with great effect in his chapters on Iran and Pakistan is show this contradiction in very particular, personal terms. He meets the editor of an English-language newspaper he first met in 1979 and learns from him the fate of Jaffrey, whom Naipaul also met in his earlier travels.

Jaffrey, a Muslim who yearned for an Islamic society that represented his religious values, moved from India to Pakistan and then from Pakistan to Iran in search of it. But the student occupiers of the American Embassy found payment receipts to him, which represented some part-time work he did for the Voice of America.

Since any contact with Americans was deemed to be the work of spies, Jaffrey, in the years since Naipaul last saw him, fled back to Pakistan, his dream of an Islamic paradise-on-earth obviously betrayed.

In Pakistan, Naipaul tells, among others, the story of a frustrated lawyer named Rana, a former guerrilla fighter named Shahbaz and a journalist named Rahimullah Yusufzai, who attained considerable local fame reporting on the Afghan war and its aftermath.

Again, the theme of these encounters, bow each of these figures and the others we meet in these pages illustrate Naipaul's concept of Islam among the converted peoples, is not clear. But the portraits are nonetheless vivid and concrete and add to the enormous and remarkable body of work by Naipaul — a record of intelligent observation that promises to be an enduring literary achievement.

New York Times Service

BRIDGE

By Alan Truscott

SHOULD an opening bid of one no-trump conceal a five-card major suit? Some players conceal hearts but not spades. This is illustrated by the diagrammed deal.

If South opens one heart he faces an impossible rebid if the response is one spade. Nothing he can do comes close to describing his hand. One no-trump avoids the problem, although it may occasionally result in a failure to find a 5-3 fit in hearts. This is not necessarily bad: Three no-trump may prove better than four hearts. Opening one spade with a five-card suit does not create the same rebid problem.

A small plus for concealing a major is that the opponents sometimes lead it, as they did

on this deal. It occurred in the New York Reisinger Knock-out Teams Flight B at the end of May. East and West were Eric Mock and Alan Hayman, who eventually won the event with Bob Beinfeld, Evan Markowitz, Jared Markowitz and Guy Doherty.

The heart lead was gratifying to South, but he still faced problems in all four suits. He cashed the heart ace, hoping to be able to develop an extra trick there, but a diamond discard on his right put an end to that thought.

Deciding diamonds and spades could wait, South led a club next. It happened that that suit had a perfect layout for him. There was a 3-3 split with both top honors in the West hand, a 9 percent chance; but South did not know it. West put up the ace and led the heart ten, won with the king.

South led another club and was now on track for nine tricks: three in hearts and two in each of the other suits. But he could not believe his good fortune when the jack appeared on his left. He ducked in the belief that West had begun with a doubleton club and would make a helpful lead in spades or diamonds eventually.

West did cash two winners, but then produced the club king for down one. South had missed a clue: East had played the club eight on the first round of that suit, and would probably have played the ten from K-10-9-8. And he should have considered that he was unlikely to reach nine tricks without some help from the club suit. The play of the queen, if right, would lead to success, and the ducking play, if right, would probably

result in failure. In the replay the declarer was again helped by the lead. Against three no-trump by North, the opening lead was a diamond, but the result was again failure.

NORTH			
♠ K 8 5			
♥ 7 5 3			
♦ A 10 9			
♣ Q 6 4 3			
WEST			
♠ Q 5			
♥ Q 10 9 8			
♦ 8 4			
♣ A K J			
EAST			
♠ 10 9 7 2			
♥ 7 4			
♦ Q 10 7 5 2			
♣ 10 9 8			
SOUTH (D)			
♠ A J 3			
♥ A K J 5 2			
♦ K 3			
♣ 7 5 2			

Both sides were vulnerable. The bidding: South West North East 1NT Pass 3NT Pass West led the heart nine.

PARIS FASHION

Mugler's Star-Studded Finale

By Suzy Menkes

International Herald Tribune

PARIS — As if she were in a remake of one of her Hollywood movies, Cyd Charisse threw a sweet smile at the audience, flashed open her shiny satin dress — and showed her famous legs. First the ankle; then the calf; and finally a thigh encased in a jeweled garter belt.

That alone would have made a grand finale to Thierry Mugler's show, which closed this week's fall-winter couture season. But there was more: Jerry Hall teaching her 14-year-old daughter, Elizabeth Scarlett Jagger, how to cut it on the runway — wearing matching black "monkey-hair" dresses laquered into body-bugging sheaths.

Not enough fun for you? Then how about a model poured into a black velvet gown, a diamond as big as the Ritz burrowed in her bosom, dancing over a diamond-shaped glass panel opened on the runway to show the swimming pool of (where else?) the hotel Ritz?

Mugler's upbeat, funny, funky show, where he pirouetted inventively around his signature hourglass silhouette, offered food for thought.

Here was a designer who first staged fashion spectacles when the British wunderkind Alexander McQueen was in nursery school and John Galiano was barely in his teens.

In the sudden revival of energy and excitement among French designers that has characterized the season, Mugler seemed to be throwing down a monkey-fur gauntlet to fashion's showmen-come-lately.

You want art? Here's a fuzzy mobair coat with patches of primary color like a Mondrian painting. Craft a cobweb of shawl falling over a ragged dress and corset dresses scissored equally out of nude chiffon or tweed. All this was interspersed with precise, sculpted tailoring, where the compass swirl of a camel alpaca coat or collarless jacket make Mugler seem increasingly like couture's successor to the modernist Pierre Cardin.

The piece de résistance was the monkey business: horsehair treated to look like monkey making shaggy coats and fitted dresses or left to swing like an equestrian mane.

Why monkeys? "Because it looks so savage and so



Jerry Hall and daughter, Elizabeth Scarlett Jagger.

elegant," said Mugler, whose animal magic also included marabou feathers patterned like fur.

The designer's Amazonian woman is a cartoon-strip vision of the eternal Parisienne — part 1950s couture model, part glacial dominatrix, with a touch of the space-age 1960s. The curvy shorts suits and skirts split to the thigh, showing garters, ought to seem ridiculously démodé in a post-feminist era. But Mugler's bravura, mixed with very fine workmanship, is beguiling. And one front-row client was in couture heaven.

"It was fantastic — such an extravaganza," said Ivana Trump, who was wearing a curvaceous black-and-white Mugler suit. "It's fun, its sexy and there were so many beautiful clothes and new ideas."

Paco Rabanne's metallic mesh dresses and Star Trek vision proved what a debt today's supposedly for-

ward-looking designers owe to his innovations of 30 years ago.

Circling forever in the same orbit, like a fashion time-capsule, Paco still manages to surprise, with the metallic dresses dissolving into handkerchief points at the hem or sprouting feathers in a high-tech conjuring trick.

If the dated makeup and scraped-up hair had been replaced by a cool, punky look, the geometric dresses with graphic markings would have seemed like something on a hip Versace runway.

And there are signs that a Rabanne revival is already the new cool. There won't be a rub for the imperial Russian theme that mystifyingly opened the show with St. Petersburg princess coats, worn with muffs and cosack boots. But the warrior-woman stuff has just what it takes to fit in with the neo-Gothic, Joan of Arc theme currently in fashion.

In fact, the British stylist and Kingmaker Isabella Blow, who was at the show wearing the designer's metallic cape, has already featured the clothes in a battle-strewn spread entitled "Dark Knights" in the current issue of The Face.

The craft of couture has been hip for a while, with edgy designers like Martin Margiela exploring deconstruction.

Pascal Humbert, a designer with a fine art background, put elegant tailoring back together again — but with one element disjointed: a precise tuxedo jacket open at the shoulder seams or backless; a white shirt with a flying panel; a bolero with a knotted tail. The exploration of the body included sweaters padded down the spine, making a show that was a thoughtful, anatomical take on modern couture.

The couture trends? The changes are in length and volume — a confirmation of the movement outward and downward in the earlier fall ready-to-wear shows. Out goes the classic suit, with jackets now boxy rather than fitted and skirts widened with pleats or in an A-line shape.

Light luxury fabrics like alpaca, give volume without the weight. To be relevant to the new millennium, couture needs to focus not so much on showbiz but on clothes that are appropriate to its clientele — or examples of extraordinary workmanship that could never be done in ready-to-wear.

ARTS GUIDE

AUSTRIA

KREMS
Kunsthalle Krems, tel: (0) 2732-82669, closed Mondays. To Sept. 8: "Antoni Tàpies: Paintings, Sculptures and Drawings, 1981-1997." More than 70 works created at the time the Catalan artist (born 1923) started using three-dimensional motifs.

VIENNA
Kunsthause Wien, tel: (1) 712-0485, open daily. Continuing/To Aug. 30: "Picasso: Die Geheime Sammlung." A lesser-known aspect of Picasso's creations: a collection of portraits, erotic drawings and terra-cottas given by the artist to his chauffeur and housekeeper.

BELGIUM

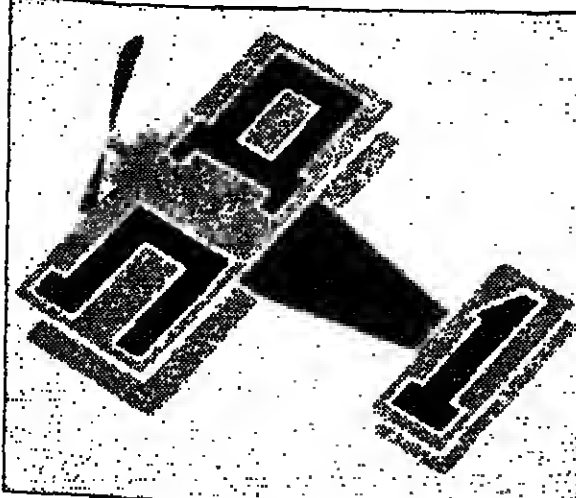
ANTWERP
Heesbeek, tel: (3) 208-0350, closed Mondays. To Oct. 11: "L'Art Non Conformiste d'Union Soviétique, 1956-1986." After Stalin's death in 1953, nonofficial artists could exhibit their works: surrealism, expressionism, photo-realism and conceptual art flourished.

BRITAIN

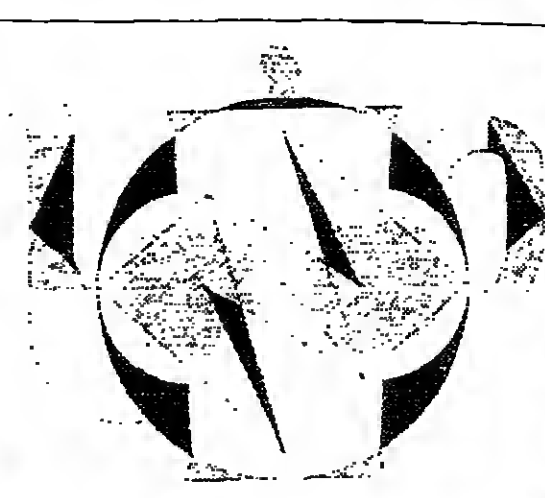
EDINBURGH
Scottish National Portrait Gallery, tel: (131) 332-2266, open daily. To Oct. 4: "The Life of Elizabeth of Bohemia." Approximately 50 paintings document the life of the granddaughter of Mary, Queen of Scots.

LONDON
British Museum, tel: (171) 323-8525, open daily. To Nov. 1: "Maori." Documents the culture, history and arts of the Maori people of New Zealand with items collected during Captain Cook's voyages in the 18th century, and by travelers, navy and military men. The exhibit also includes prints by David Hockney and imitation prints dating back to Hogarth's lifetime.

National Gallery, tel: (171) 747-2885, open daily. To Aug. 2: "Masters of Light: Dutch Painters in Utrecht During the Golden Age." Utrecht painting in the 17th century combines Italian theatricality and innovative lighting effects with Dutch sensitivity to nature. The exhibition features 80 paintings by 20 artists such as Abraham Bloemaert, Dirck van Baburen and Gerard van Honthorst.



The New York Museum of Modern Art retrospective traces the many phases of Alexander Rodchenko's creative career.



A Dutch "Master of Light" in London's National Gallery.

FRANCE
PARIS
Musée d'Art Moderne de la Ville de Paris, tel: 01-53-67-40-00, closed Mondays. Continuing/To Sept. 19, 1998: "La Collection du Centre Georges Pompidou: Un Choix." A selection of works from Fauve and Surrealist painters to Messiaen and Dubuffet. A complementary exhibition starting in the fall will include Arte Povera and New Realism.

Musée du Louvre, tel: 01-40-20-51-51, closed Tuesdays. Continuing/To Sept. 21: "Bassano and His Sons in French Museums." Mainly from the collection of Louis XIV, approximately 20 paintings, drawings and pastels, most of them depicting biblical themes, by the four Bassano brothers and their father, Jacopo Bassano (1510-1592).

OTTAWA
National Gallery of Canada, tel: (613) 990-1885, open daily. To Aug. 23: "Hogarth and His Times." More than 120 satirical prints and drawings celebrate the tercentennial of Hogarth's birth. The exhibit also includes prints by David Hockney and imitation prints dating back to Hogarth's lifetime.

GERMANY
BREMEN
Kunsthalle Bremen, tel: (421) 325-080, closed Mondays. To Oct. 18: "Richard Hamilton: Subject to an Impression." This extensive exhibition of works by the British artist (born 1922) focuses on the development of his graphic work.

BERLIN
Berliner Festwochen '98, tel: (49-30) 25-489-0, fax: 25-489-1, Sept. 2 to Oct. 5: The program features performances by the Berliner Philharmonisches Orchester under Claudio Abbado and Nikolaus Harnoncourt, the Orchester der Deutschen Oper and the Staatskapelle as well as the Wiener Philharmoniker under Lorin Maazel. Also offers an extensive chamber music program with the Rosamunde Quartett, the Leipziger Streichquartett and the Vermeer Quartett. Maurizio Pollini and Alfred Brendel appear in recitals.

BRUSSELS
Festival de Flandre Bruxelles-Europe, tel: (32-2) 549-5595, fax: 549-5590, e-mail: festival@skynet.be. Sept. 2 to Oct. 29: A converging place for international orchestras and conductors, such as Daniel Barenboim with the Chicago Symphony Orchestra (Sept. 7), Esa-Pekka Salonen with the Angeli Philharmonic Orchestra (Sept. 2), Carlo Maria Giulini and the Royal Concertgebouw of Amsterdam (Oct. 17) and John Eliot Gardiner conducting the Vienna Philharmonic (Oct. 21), among others. The festival ends with the Dresden Staatskapelle under Giuseppe Sinopoli's baton in a program that includes a new work by Wolfgang Rihm, "Vers une Symphonie Fleuve IV."

EDINBURGH
Edinburgh International Festival, tel: (44-131) 473-2000, fax: 473-2003, e-mail: boxoffice@ei.co.uk. Aug. 16 to Sept. 5: Smetana's "Dalibor" and "Libuse" (concert performance), and Verdi's "Don Carlos," "Luis Miller" (concert performance) and "I Mas-

ROYAL ARMORIES, H M Tower of London, tel: (171) 480-6358, open daily. Continuing/To Sept. 13: "Treasures from the Moscow Kremlin." Examples of the Kremlin Armory craftsmanship between 1600 and 1800.

TATE GALLERY, tel: (171) 897-9000, open daily. To Sept. 6: "Poplock Heron." The British painter (born 1920) has played a key role in the development of abstract art. The exhibition of 80 paintings covers his work from the 1930s to the '90s.

CANADA
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COLOGNE
Museum Ludwig, tel: (221) 221-2382, closed Mondays. To Oct. 11: "Robert Rauschenberg: Retrospektive." The exhibition of paintings, collages and installations unfolds the works of the American artist (born 1925) chronologically.

ATHENS
Museum of Cycladic Art, tel: (1) 722-8231, closed Sundays and Tuesdays. To Aug. 31: "Edward Lear: The Painter of Greece." Lear (1812-1888) visited Greece several times, and his watercolors depict the landscape, the classical sites and everyday life.

HONG KONG
The Art Museum, The Chinese University of Hong Kong, tel: (852) 2669-7418, open daily, closed public holidays. To Nov. 15: "The Sanbui Tang Collection of Masterworks by Ting Yin Yung." Ting Yin Yung (1902-1978) began his creative career using Western techniques in oil painting, but returned to the traditional Chinese brush and ink skill. His figures, flowers and birds show the influence of Zhu Da in the early Qing period.

ITALY
FLORENCE
Palazzo Vecchio, tel: (55) 42-08-65-51, closed Mondays. Continuing/To Aug. 2: "Passage From the Past." More than 120 works by the best known photographers of the agency: Robert Capa, Cartier-Bresson, Josef Koudelka and Eve Arnold, among others.

JAPAN
NARA
Nara National Museum, tel: (742) 22-77-71, closed Mondays. To Aug. 30: "The Spread of Buddhist

Art in Asia." Masterpieces of Buddhist art illustrating the spreading and evolution of the art in Asia. The exhibition will travel to Nagoya.

TOKYO
Museum of Contemporary Art, tel: (3) 5245-3215, closed Saturdays and Sundays. To Sept. 6: "At the End of the Century: One Hundred Years of Architecture." Explores the history of architecture and urbanism in the 20th century with scale models, photographs, drawings and three-dimensional objects. The exhibition will travel to Mexico City, Cologne, Sao Paulo, Los Angeles and New York.

PHILIPPINES
MANILA
Museum of the Filipino People, tel: (2) 527-12-15, continuing/To and of October: "Treasures of the San Diego." Documents the sinking of the San Diego in the China Sea in the 17th century and displays Ming white-and-blue porcelain, Mexican silver and European glassware found in its holds.

SPAIN
BARCELONA
Fundació Caixa de Catalunya, tel: (3) 484-5900, closed Mondays. Continuing/To Aug. 20: "Paul Delvaux." Paintings by the Belgian painter (1897-1994). Although considered a Surrealist, Delvaux created his own poetic universe of railway stations, classical architecture, symmetrical gardens, female nudes and inaccessible statues.

SWITZERLAND
GENEVA
Petit Palais, tel: (22) 346-1433, open daily. To Oct. 18: "Picasso: Les 30 Dernières Anées." Approximately 200 paintings, pastels, drawings, lithographs, ceramics, sculptures and bronzes created by Picasso (1881-1973) during the last 30 years of his life.

UNITED STATES
ATLANTA
High Museum of Art, tel: (404) 733-4444, closed Mondays. To Sept. 20: "Self-Taught Artists of the 20th Century: An American Anthology." More than 200 works by 30 artists that elude traditional categorization. Included are works by Grandma Moses, Horace Pippin and contemporary artists.

HOUSTON
Museum of Fine Arts, tel: (713) 639-7300, closed Mondays. To Aug. 30: "From Object to Icon: The Art of Assemblage." Traces the role that assemblage has played in the evolution of modern and postmodern aesthetics, starting with Picasso's early collages. The exhibition includes assemblage art by Nik de Saint-Paul, Tinguely, Rebecca Horn, Rauschenberg and Kiefer.

NEW YORK
Metropolitan Museum of Art, tel: (212) 570-3791, closed Mondays. To Jan. 31: "Louis Comfort Tiffany." Drawn exclusively from the Metropolitan's holdings, this exhibition celebrates the 150th anniversary of the birth of Tiffany (1848-1933). On view are examples of his renowned decorative art objects — leaded-glass windows and lamps, blown-glass vases, furniture, metalwork, enamels, pottery and jewelry — as well as a selection of paintings and working drawings.

EUROPE
July 25: "Rave d'Egypte." Mona Bismarck Foundation, Paris.
July 26: "Lucian Freud: New Paintings." Tate Gallery, London.

ASIA
July 25: "Assessing Textile: Contemporary British Textile Art." National Museum of Modern Art, Kyoto.
July 26: "Anselm Kiefer and The Art of the '80s." Kawamura Memorial Museum of Art, Sekura, Chiba Prefecture, Japan.
July 26: "Italian Glass From the Stamborg Foundation." Tokyo Metropolitan Teien Art Museum, Tokyo.

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SUMMER FESTIVALS

In the last festival column, we list some music festivals scheduled to start in August and September in Europe.

ALDERBURGH
Snapshots 1998, tel: (44-1728) 45-35-43, Aug. 1-31: From the sounds of the Far East to the rhythms of Latin America, the Proms take their audience on a musical world tour. They open on Aug. 1 with Strauss's "Die Fledermaus" and conclude on Aug. 31 with the BBC Big Band performing works by Ellington, Basie, Miller, Goodman and others.

BERLIN
Berliner Festwochen '98, tel: (49-30) 25-489-0, fax: 25-489-1, Sept. 2 to Oct. 5: The program features performances by the Berliner Philharmonisches Orchester under Claudio Abbado and Nikolaus Harnoncourt, the Orchester der Deutschen Oper and the Staatskapelle as well as the Wiener Philharmoniker under Lorin Maazel. Also offers an extensive chamber music program with the Rosamunde Quartett, the Leipziger Streichquartett and the Vermeer Quartett. Maurizio Pollini and Alfred Brendel appear in recitals.

BRUSSELS
Festival de Flandre Bruxelles-Europe, tel: (32-2) 549-5595, fax: 549-5590, e-mail: festival@skynet.be. Sept. 2 to Oct. 29: A converging place for international orchestras and conductors, such as Daniel Barenboim with the Chicago Symphony Orchestra (Sept. 7), Esa-Pekka Salonen with the Angeli Philharmonic Orchestra (Sept. 2), Carlo Maria Giulini and the Royal Concertgebouw of Amsterdam (Oct. 17) and John Eliot Gardiner conducting the Vienna Philharmonic (Oct. 21), among others. The festival ends with the Dresden Staatskapelle under Giuseppe Sinopoli's baton in a program that includes a new work by Wolfgang Rihm, "Vers une Symphonie Fleuve IV."

EDINBURGH
Edinburgh International Festival, tel: (44-131) 473-2000, fax: 473-2003, e-mail: boxoffice@ei.co.uk. Aug. 16 to Sept. 5: Smetana's "Dalibor" and "Libuse" (concert performance), and Verdi's "Don Carlos," "Luis Miller" (concert performance) and "I Mas-

nader" share the opera bill. The Royal Scottish National Opera opens with the first 70 concerts with Andras Schiff, Alfred Brendel, Joan Rodgers and Ian Bostridge on the roster of soloists.

HELSINKI
Helsinki Festival, tel: (358-9) 13-54-22, fax: 278-1578, e-mail: info@helsinkifestival.fi. Aug. 21 to Sept. 8: Classical music with local and visiting orchestras at the Finlandia Hall, and rock, jazz and world music at the Huuhtia Tent. The opening marathon is a celebration of Russian music: Five Rachmaninoff piano concertos and three Tchaikovsky symphonies are performed by five young pianists, two orchestras and two conductors.

INNSBRUCK, AUSTRIA
Internationale Festwochen der Alpen Musik, tel: (43-512) 5356-30, fax: 563-142, Aug. 18-29: One of the festival's highlights is Handel's "Semele," performed on Aug. 16, 18, 20 and 22. William Christie leads Les Arts Florissants in Charpentier's "Le Descente d'Orphée aux Enfers" and "Les Plaisirs de Versailles." (Aug. 28 and 29).

LUCERNE, SWITZERLAND
Internationale Musikfestwochen, tel: (41-41) 226-4480, fax: 226-4485, e-mail: lucernemusic@lucernemusic.ch. Aug. 19 to Sept. 16: Claudio Abbado and the Berlin Philharmonic Orchestra open the festival with Beethoven's Ninth and Wolfgang Rihm's "Inscrivible." Guest orchestras from the USA include the Los Angeles Philharmonic Orchestra conducted by Esa-Pekka Salonen and the Chicago Symphony Orchestra under Daniel Barenboim. Recitals are given in the new concert hall by Anne-Sophie Mutter and Andras Schiff.

MONTREUX, SWITZERLAND
Festival International de Musique et d'Art Lyrique, tel: (41-21) 968-0025, fax: 968-2506, Aug. 29 to Sept. 17: A medley of operas, orchestral music and recitals. William Christie conducts Handel's "Rodelinda" (concert version, Sept. 3) and Edo de Waart "Tannhauser" (Sept. 15). The Ninth Symphony is performed under Ermanuël Knebel (Sept. 1) and Nikolaus Harnoncourt leads the Missa Solemnis (Sept. 8). The

Royal Concertgebouw Orchestra, the London Symphony Orchestra, and the Talens Lyriques perform respectively on Aug. 29, Sept. 17 and Sept. 5.

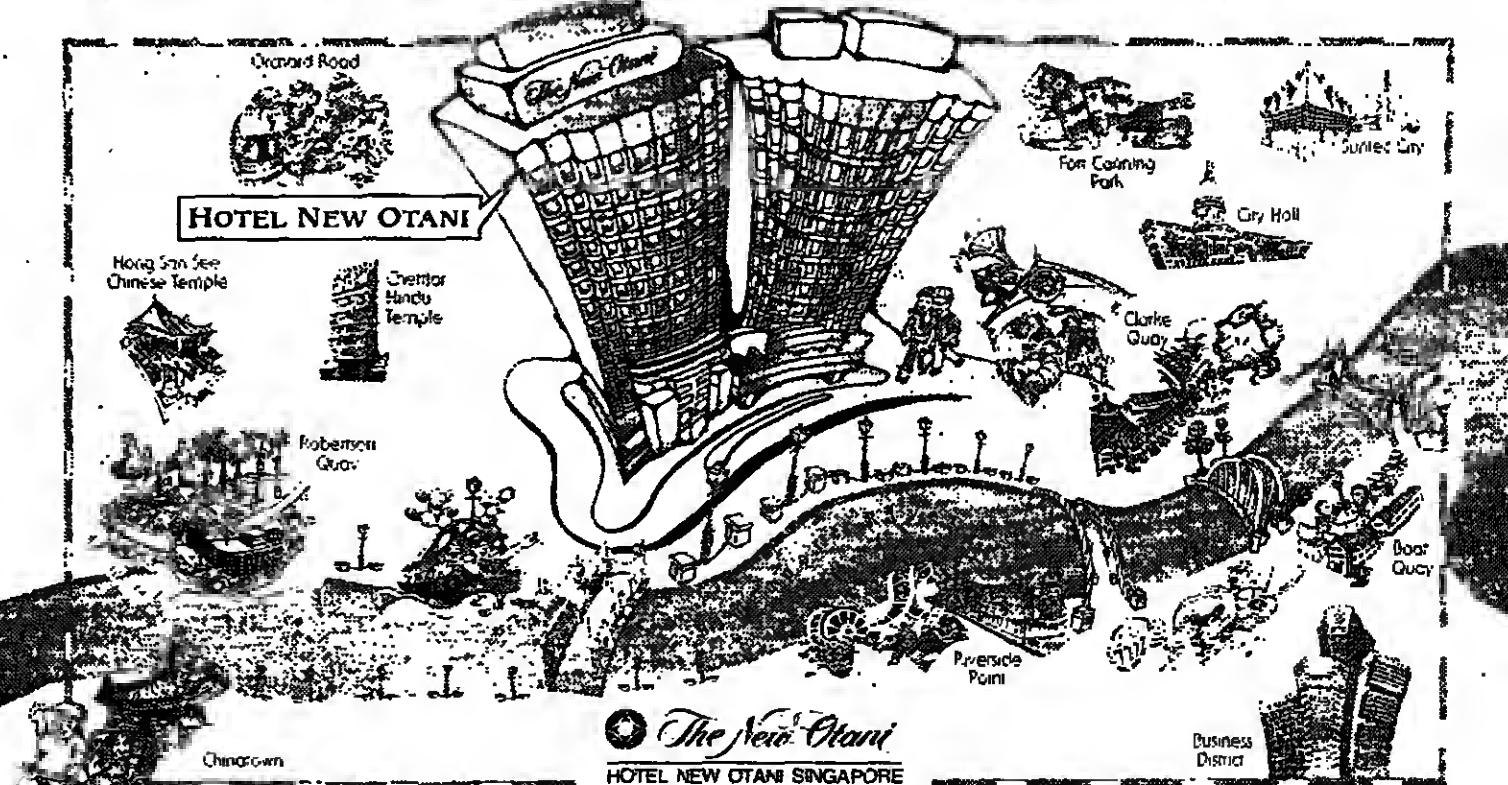
PARMA, ITALY
Rossini Opera Festival, tel: (39-0-721-30161, e-mail: boxoffice@rossinioperafestival.it. Aug. 8-22: Focusing on Gioacchino Rossini's music, the festival offers "Otello," staged by Pier Luigi Pazzi with Bruce Ford in the title role and "La Cenerentola," conducted by Carlo Rizzi. Maurizio Pollini plays Beethoven on Aug. 18.

SAN SEBASTIAN, SPAIN
Quincena Musical, tel: (34-9) 4221-0508, fax: 4343-0702, Aug. 5 to Sept. 2: A celebration of the 4th centennial of the death of Philip II of Spain with music composed during — or inspired by — his reign: A concert version of "Don Carlos" can be heard Aug. 27 and 29. The festival welcomes the London Philharmonic Orchestra under Gerard Rozhdenskiy (Aug. 30 and 31), the Radio Orchestra of Cologne under Semyon Bychkov (Aug. 25) and the Israel Philharmonic under Zubin Mehta (Aug. 22). A recital by Maxim Vengerov, violin, closes this 59th Festival.

STAVANGER, NORWAY
International Chamber Music Festival, tel: (47-51) 84-66-70, fax: 84-66-73, e-mail: icmf@online.no. Aug. 7-16: The theme of this year's festival is music from the Czech Republic, with works by Smetana, Dvorak and Janacek. Krzysztof Penderecki is the composer-in-residence and conducts the Stavanger Symphony Orchestra in three of his compositions. Most of the performances take place in the city's 12th-century cathedral and the Ustein monastery.

STRESA, ITALY
Settimane Musicali di Stresa, tel: (39-0-323) 31-095, fax: 33-006, Aug. 26 to Sept. 19: Sixteen events inaugurated by the St. Petersburg Philharmonic Orchestra under Yuri Temirkanov and ending with the Orchestre de la Suisse Romande in a program of French music. Also features performances by I Solisti Varesi (Sept. 3) and recitals by Alexandra Lagoya, guitar (Aug. 31), Maurizio Zannini, piano (Sept. 4) and Jacques Taddel, organ (Sept. 10).

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INTERNATIONAL

Strong-Arming Israel Didn't Work, U.S. Tells Palestinians

By Barton Gellman
Washington Post Service

WASHINGTON — Nearly three months after engineering a high-risk shift toward open American pressure on Israel, Secretary of State Madeleine Albright has acknowledged to Palestinian officials and to at least two friendly governments that the United States has no hope of obtaining Israel's full assent to a peace proposal that she long insisted Washington was unwilling to water down.

Mrs. Albright has not followed through with her threat in May to "re-examine our approach to the peace process" and make public U.S. disagreements with the Israeli prime minister, Benjamin Netanyahu. Instead, in what Palestinians described as a startling retreat, she is now advising the Palestinian president, Yasser Arafat, to secure the best deal he can from Israel by direct negotiation.

The Americans "really reeled on their promises," one of Mr. Arafat's senior advisers, the Palestinian planning minister, Nabil Shaath, said in a telephone interview from his Gaza City home. "They neither declared publicly what their proposals were, nor have they brought Israeli approval comparable to the approval we have given."

The American initiative — trading Israeli

withdrawals on the West Bank for new Palestinian crackdowns on violent extremists — was aimed at breaking a deadlock that is now in its 16th month. Acting in hopes that the parties would respond to him, if not to each other, President Bill Clinton put forward the package in January. Mr. Arafat accepted it in April, and Mrs. Albright's news conference in London on May 4 was intended to wrest a yes-or-no answer from Mr. Netanyahu.

But the administration began backing away from the tone of confrontation within weeks of creating it. At least since June, Mrs. Albright and a peace team led by Dennis Ross have been telling the Palestinians that Israel was not prepared to accept the U.S. deal. In a State Department meeting July 9, Mrs. Albright told Mr. Shaath, the planning minister, and Sach Erekat, the chief Palestinian negotiator, that they would have to reopen talks with Israel themselves.

"That was the first time she said, 'I can't get what I promised you,'" Mr. Shaath said, in an account that Mrs. Albright's aides did not dispute directly. "She said, 'I lied. I tried, and I couldn't.'"

A senior official of an allied Middle Eastern government confirmed that Mrs. Albright and her peace team were now saying "they've reached the end of the line as far as moving the Israeli position," and officials from two European governments gave nearly identical accounts.

"They said they would insist on a definitive yes or no" from Mr. Netanyahu, said one European official, "and having got a no, there should have been a firm Washington reaction."

Mr. Ross and his peace team, the official said, argue that "a late deal is better than an early argument." The received wisdom is that the Israelis do nothing under pressure, to which they certainly do nothing not under pressure. It had to be time to try something different.

State Department and White House officials have been loath to acknowledge on the record what many of them confirm off the record as obvious: that Mrs. Albright's May 4 news conference was intended to convey a deadline and a threat.

"We have worked very, very hard to try to get agreement from both sides. We never promised anyone we could achieve that," the State Department spokesman, James Rubin, who is Mrs. Albright's closest personal adviser, said in an interview. "We're not looking for a confrontation. We're looking for a way to close the gaps."

American pressure, several officials said, has in fact moved Israel's position substantially in what one official called a "seductive process" of gradual but insufficient Israeli concessions. In May, Mr. Netanyahu was offering no more than 9 percent of the West Bank to Mr. Arafat in an overdue "interim" withdrawal. Now he is offering what Israel calls "10 plus 3" percent — 10 percent under Palestinian civil control, and 3 percent more where Israel would have a veto on Palestinian building and planning. The American initiative called for a 13 percent transfer, with no such limitation.

"In the last set of meetings in Europe" — in May — "we felt it was important to change the dynamic, and we did change the dynamic, and since that time there has been substantial progress," Mr. Rubin said.

The many signs of an administration in retreat can be seen in the relationship with the pro-Israeli lobbies in Washington and New York. After Mrs. Albright's news conference in London, a senior official made light-hearted reference to strong attacks on her position by Malcolm Hoenlein, the executive vice chairman of the Conference of Presidents of Major American Jewish Organizations. "That's a pretty good sign we are getting it about right," the official said.

This week, Mr. Hoenlein released a letter from Mr. Clinton in which the president wrote that "it is not our intention to second-guess Israeli decisions on security" and added: "At no time have I given an ultimatum to either party."

Arafat Suspends Negotiations

Mr. Arafat rejected a request Thursday by Mr. Netanyahu to meet and suspended negotiations until Israel accepted an American peace pro-



Mair Shetrit, Israeli representative, greeting Yasser Arafat on Thursday in Gaza.

posals. The Associated Press reported from Tel Aviv.

Israel insisted that only slight disagreements remained about the American proposal for an Israeli troop withdrawal. But Nabil Abourneih, an aide to Mr. Arafat, said the negotiators had "reached a deadlock."

U.S. and Pakistan Aides End Arms-Control Talks

'Constructive' Meeting Addresses Test Ban Treaty

ISLAMABAD, Pakistan — Senior U.S. and Pakistani officials concluded a round of what they called "substantive and constructive" arms control talks Thursday and agreed to meet again in about a month.

The U.S. delegation, led by Deputy Secretary of State Strobe Talbott, held a brief final meeting with the Pakistani side led by the Foreign Ministry secretary, Shamsah Ahmad.

The talks in Islamabad followed a

similar round between Mr. Talbott and Indian authorities this week in New Delhi as part of U.S. efforts to prod India and Pakistan to sign a global nuclear test ban treaty and to ease tensions between the two neighbors after their tit-for-tat nuclear tests in May.

Mr. Talbott told reporters that signing the Comprehensive Test Ban Treaty was one of many issues he had discussed in Islamabad, where he also met with Prime Minister Mian Nawaz Sharif. Foreign Minister Gohar Ayub Khan and the army chief, General Jehangir Karamat.

Mr. Ahmad said Pakistan could sign the treaty when "we are absolutely sure that our vital security concerns have been fully safeguarded," which would include an engagement of major powers in the lingering Indian-Pakistan dispute over the Himalayan region of Jammu and Kashmir.

A brief joint statement issued at the end of the talks said the two sides had discussed "regional and global dimensions of the security situation in the aftermath of the May nuclear tests, non-proliferation, arms control, the situation in Jammu and Kashmir and confidence-building measures."

"The talks were both substantive and constructive," it said. "The United States and Pakistan have agreed to continue their discussions in the later part of August." It added without specifying the venue. The next round of Indian-U.S. talks, also due in late August, will be held in Washington.

Mr. Talbott said that "in addition to wishing each other luck, we in the United States are also, of course, hoping for the best from the meeting that is going to take place at the highest level between the Pakistani and Indian governments in Colombo next week."

He was referring to a bilateral meeting between Mr. Sharif and Prime Minister Atal Bihari Vajpayee of India during a South Asian summit meeting in the Sri Lankan capital from Aug. 29 to 31.

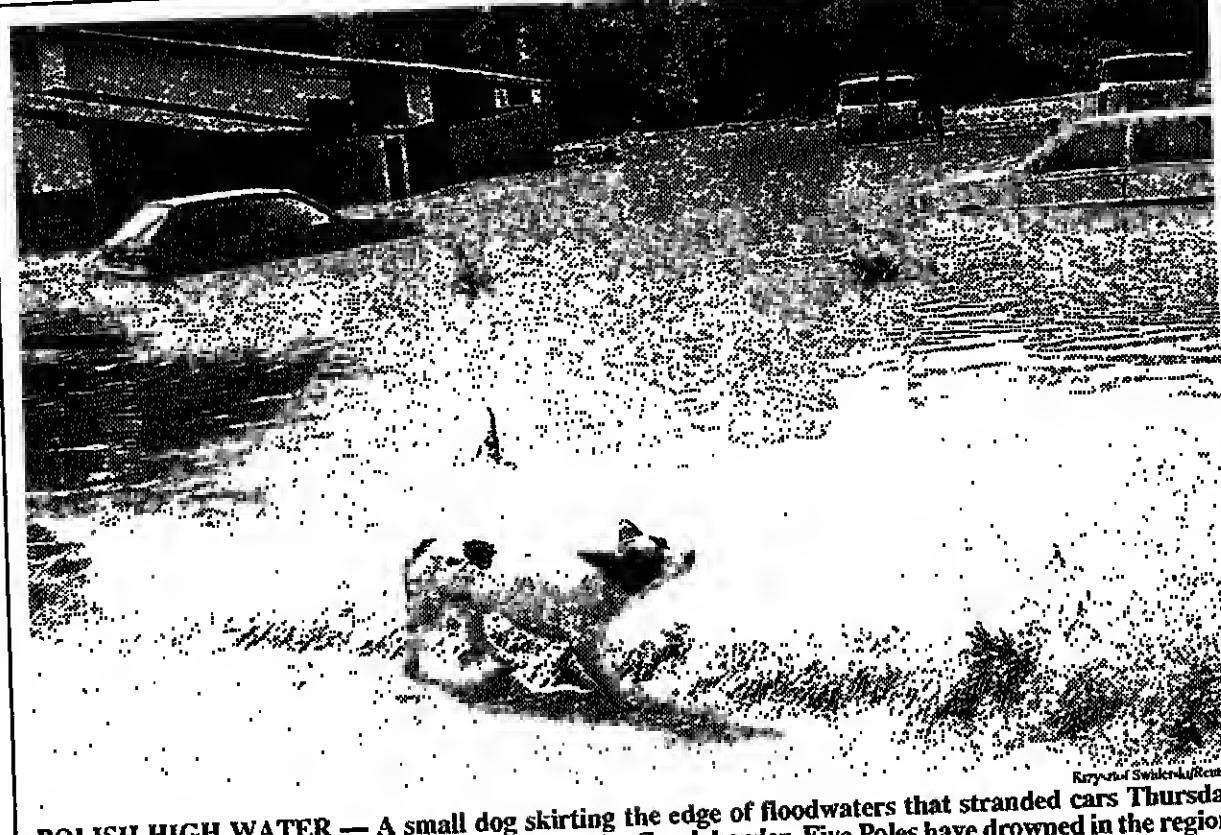
"We think it is a very good thing that direct Indian-Pakistani dialogue is to resume, and we will be watching and we will be supporting it in every way we can," he said.

India Dismisses Pressure

India will not bow to pressure from "any quarter" to roll back its nuclear weapons program, Defense Minister George Fernandes told Parliament, Agence France-Presse reported from New Delhi.

Mr. Fernandes refused to say whether nuclear weapons would be deployed with the armed forces following test detonations in May, but he insisted that "external pressure" could not derail the program. "There is no question of buckling under pressure from any quarter."

The comments followed a two-day visit here by Mr. Talbott aimed at easing tensions on the Subcontinent.



POLISH HIGH WATER — A small dog skirting the edge of floodwaters that stranded cars Thursday near the Polish town of Szalajewo Dolne, close to the Czech border. Five Poles have drowned in the region.

INDONESIA: Anger Pushes Nation Dangerously Close to Chaos

Continued from Page 1

Trisakti shootings as well, although he said there were no firm links yet to tie those soldiers to the riots and gang rapes.

The defense minister and commander of the armed forces, General Wiranto, has been trying to restore the military's damaged image. Last week, seven members of the special forces command, Kopassus, were named as suspects in the kidnapping and torture of at least 21 political activists, a dozen of whom are still missing. Top military officers said

their probe might extend all the way to the former Kopassus commander, Lieutenant General Prabowo Subianto, a soon-in-law of Mr. Suharto.

While General Wiranto is occupied with trying to purge officers like General Prabowo from the command, common people are defying the authorities, attacking and pillaging farmland, plantations, food warehouses, even golf courses in what many analysts say amounts to a general breakdown of law and order.

Near the city of Bogor, hundreds of farmers have forced their way onto a ranch owned by Mr. Suharto, demand-

ing the right to plant their crops there. In Surabaya, the second-largest city, hundreds of Chinese merchants were forced to flee last week after their shops and warehouses were looted and burned. In Tangerang, just west of Jakarta, thousands of villagers looted a shrimp pond, taunting and throwing mud at policemen, who fired only warning shots.

The lawlessness has spread even to the capital, and local press reports say ethnic Chinese and some foreigners living here have been buying firearms on the thriving black market — despite strict gun control laws — to protect themselves.

Despite Mr. Habibie's claim that he has made progress toward reviving Indonesia's economy, it still appears to be in a free fall. The currency, the rupiah, which was at 9,500 to the dollar when Mr. Habibie took office, has plunged, with a dollar buying more than 14,000 rupiah. About 20 million Indonesians are likely to be out of work this year. Inflation is set to reach 100 percent. At least half the population will sink below the poverty line by year's end.

Since some supplies of such basic foods as rice and cooking oil have been hoarded, their prices in rupiah have been driven up. The breakdown of distribution networks, caused by the May riots and attacks on ethnic Chinese merchants, have also driven up prices.

According to relief agency officials and Indonesian economists, there is no widespread hunger in Indonesia yet, except in a few isolated places that have always been hard-pressed. But almost everywhere, including here in the capital, people are altering their diets, eating less, forgoing meat and even fish, and skipping some meals to make ends meet.

GOLD: Nazi Files Stolen, Germany Admits

Continued from Page 1

stitutions by Holocaust survivors that have brought a deepening crisis to Swiss banks facing the threat of sanctions in the United States since negotiations on compensation for Holocaust survivors collapsed last month.

The German report chronicled a remarkable series of lapses by both German and U.S. officials in the safeguarding of the critical documents. "To outside observers, it will seem incomprehensible that documents so closely linked to the crimes of Nazism could be distributed so carelessly and finally lost," the report said, according to a German official who spoke in return for anonymity.

The so-called Melmer files were first located by U.S. troops in eastern Germany in 1945. Shipped to the United States, the report said, some of the documents were microfilmed, but portions

of the files — apparently including the 26 files in question — were not.

Inexplicably, however, the documents were handed back to German authorities in 1948 and left in the care of an institution called Bank Deutscher Laender, the forerunner of the German central bank, the Bundesbank.

One of the top officials at that institution, the report said, was Albert Thoms, who had headed the Reichsbank department dealing with looted gold and had been rehabilitated by the Allies in the immediate postwar era. At his death in 1977, his estate was found to include confidential documents missing from bank archives.

Another official, Ulrich Benckert, now 86, was also believed to have kept secret documents in his personal papers up to the 1970s after being appointed in 1955 as the liquidator of the Reichsbank. Some of those documents related to gold stolen at concentration camps.

Hussein Acts To Halt Talk About Illness

By Lee Hockstader
Washington Post Service

JERUSALEM — King Hussein's decision to disclose publicly his medical condition appears to be an attempt to clear the air of rumors spreading among Jordanians.

The king, a crucial force for moderation in the Middle East, revealed this week that he may be suffering from lymphatic cancer. He did so in a letter from the Mayo Clinic in Rochester, Minnesota, where he is being treated, to his brother, Crown Prince Hassan ibn Talal.

The illness comes at a particularly sensitive time in the Middle East, where Jordan plays a critical stabilizing role. Along with Egypt, Jordan is one of two Arab countries that have concluded a formal peace with Israel, signing an accord in 1994.

"His Majesty chose to publish the letter so that Jordanians do not fall prey to negative reports published in the media," said Prime Minister Abdul-Salam Majali.

Jordanian newspapers reported the content of the king's letter prominently but selectively.

The importance of Jordan's role as a go-between was underscored Wednesday in remarks by the Palestinian leader, Yasser Arafat, and Prime Minister Benjamin Netanyahu of Israel, who each wished the king a speedy recovery.

Mr. Netanyahu said he spoke for the Israeli public, "all of whom are committed to peace with Jordan and all of whom value the important and courageous steps the king has taken over the years in relations with us."

Mr. Arafat said, "I hope he will be in good health very soon."

President Bill Clinton is also concerned, and spoke to the king over the weekend, according to the White House spokesman.

Mr. Hussein's health touched off a round of jittery speculation in Israel, focused to a large extent on whether his successor, Prince Hassan, could fill the king's shoes in the event of his death. Prince Hassan is a Harvard-educated intellectual who has played a prominent diplomatic role in the Middle East, particularly in relations with Israel and Iraq, but he lacks his brother's prestige.

That is worrying to Israelis, who are nervous about Mr. Arafat's pledge to declare an independent Palestinian state in the West Bank and Gaza Strip next May, when the Middle East peace process inaugurated by the Oslo accords is supposed to have run its course.

In recent months, Israeli media have been full of scenarios outlining what could happen if Mr. Arafat makes good on his promise. Some of them predict confrontation and escalating violence between Israelis and Palestinians, which in turn could drag in Jordan's own large population of Palestinians. Nonetheless, the consensus among analysts here is that Jordan is essentially stable and that in the event of the king's death, the succession to the Jordanian throne would likely proceed smoothly.

MISSILE: U.S. Confirms Iran Test

Continued from Page 1

about Iran's abilities but not its intentions, officials said.

"This is a demonstration of Iran's perceived need to have the capability to threaten targets" outside the immediate Gulf area, one official said. "It's now clear that they have the political commitment to seek that kind of capability."

Present and former intelligence officials said the missile came from North Korea, which has vowed to continue selling its weapons to any nation that can provide that cash-starved country with hard currency.

The official North Korean news agency issued a statement last month saying that "our missile export is aimed at obtaining foreign money we need at present." U.S. intelligence officials say millions of dollars that Iran has paid North Korea is invested in more missile production rather than in civilian needs.

Iran has long sought to launch a medium-range missile, and it has bought technology from Russia and China as well as North Korea.

Tehran's foremost goal, a senior administration official said, is not to strike

its enemies but to be seen as a political and military force to be reckoned with in the Middle East.

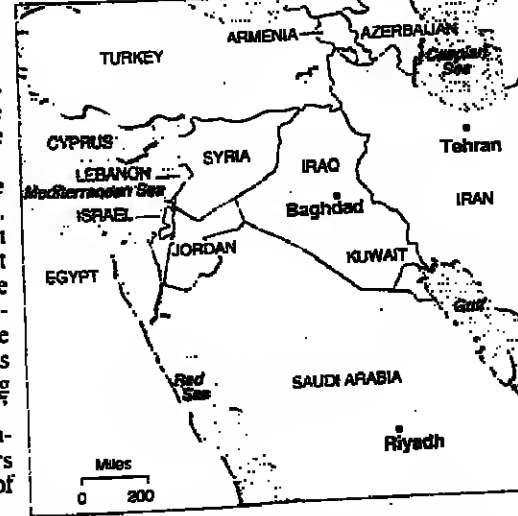
"There is some prestige element here," he said. "We have long thought that the Iranians believe that such a weapon would give them a reach inside the region and that they believe that it serves their interests in terms of being a strong power in the Middle East."

U.S. intelligence agencies have worked for years to track the development of Iran's weapons programs.

The former intelligence official said that government experts had expected a test by Iran, although the launch was not expected so soon.

He also said that the test held political significance as well as military meaning. "My guess is they purchased a very small number of these missiles, and that this is as much a political statement as anything, and that the statement is to Israel, and that statement is: 'You are now vulnerable. You have to take us seriously.'"

But he said he doubted that the Ira-



TEHRAN: Mayor Gets 5-Year Jail Term

Continued from Page 1

citatory foreign-policy tone.

The verdict Thursday was announced by Judge Gholam-Hossein Mohseni Ejei, who under the Iranian judicial system has served as both judge and prosecutor throughout the trial, and whose neutrality Mr. Karbaschi had repeatedly challenged.

Mr. Karbaschi had repeatedly proclaimed his innocence, but he was found guilty on charges of embezzlement, mismanagement and misusing public funds to help elect Mr. Khatami during the presidential campaign last year.

In addition to the prison sentence and the ban on public office, Mr. Karbaschi was ordered to pay a fine of the equivalent of \$530,000 and to return to the public treasury the equivalent of \$6 million in what the court said had been misused funds. An additional sentence of 60 lashes was suspended in what the court said was its recognition of Mr. Karbaschi's high social standing.

Mr. Karbaschi has won admirers both for pressing a city-wide beautification effort that has vastly improved the quality of life in the capital and for his outspokenness on behalf of Mr. Khatami.

Together, the new developments seem to have been made plain just how much power Iranian conservatives still wield despite the landslide victory that Mr. Khatami, a relative moderate, won a year ago over a candidate supported by that ruling religious establishment.

Although Mr. Khatami won the support of nearly 70 percent of Iranian voters, his authority as president is limited.

Since he took office last August, he has had to contend with repeated muscle-flexing from rival institutions, including the Parliament, the judiciary, and the office of the supreme leader, Ayatollah Ali Sayed Khamenei, all of which are dominated by far more conservative figures.

In the last month, Mr. Khatami had already had to weather the ouster of one top lieutenant, Interior Minister Abdollah Nouri, who was impeached by members of Parliament who accused him of being too permissive in allowing moderate student organizations to conduct street demonstrations.

One exception in the recent string of misfortunes for the moderates was the conservative Parliament's confirmation Wednesday of Mr. Khatami's nominee as the new interior minister, Abdolvahed Moosavi-Lari.

CURRENCY

Asia Stocks Clubbed by Review of Japan Credit

By Philip Segal
International Herald Tribune

HONG KONG — The prospect that Japan might lose its top credit rating sent stocks and currencies sharply lower across Asia on Thursday as it heightened fears that the frailty of the world's second-largest economy posed increasing dangers around the globe.

"The U.S. will be the severest and hardest hit country if things start to unravel in Japan," said Noriko Hama, chief economist in London for the Mitsubishi Research Institute. "It's turning into a bit of a no-win situation."

Her comments came after Moody's Investors Service warned Thursday that it was considering cutting Japan's top-grade rating.

Also adding to investor concerns were remarks Wednesday by the U.S. Federal Reserve chairman, Alan Greenspan, to Congress that Asian economies

U.S. stocks also nosedived. Page 14.

were in the grip of a "vicious cycle" of falling consumer confidence and declining productivity. "It's very difficult to forecast when that stabilizes or how that plays out," he said.

What worries Mrs. Hama and many other economists is that while its economy falters, Japan remains one of America's principal financiers. "Much of the 'new economy' in the U.S. is dependent on Japanese funds flowing into America," she said.

With the American current account deficit partly financed by Japan — which has been demonstrating a keen appetite for U.S. Treasury paper — America's favorable interest rate environment could be wiped out if cash-starved Japanese companies ever decided to raise money by selling their U.S. Treasuries, economists say.

On the other hand, even if interest rates were to rise in Japan, the government's inability to stimulate consumer demand means rates would probably remain considerably lower than comparable interest rates in the United States. That threatens a scenario in which Japanese savers and institutions would pour trillions of dollars into foreign currency assets in search of better returns, as Moody's hinted could happen following the "Big Bang" financial

See IMPACT, Page 17



Yves Michot, left, head of Aerospatiale, at a press conference Thursday with Philippe Camus of Lagardere.

France Moves Forward in Defense

But State's Share in Aerospatiale-Lagardere Irks Potential Allies

By Barry James
International Herald Tribune

BRUSSELS — The partial privatization and merger of the state-owned company Aerospatiale with the defense businesses of the privately owned Lagardere group will create the world's fourth-largest defense company, but analysts said Thursday that the French government's dominant share in the new company remained an obstacle to a wider European defense industry alliance.

The government announced the merger late Wednesday, putting together a company with combined annual sales of aircraft, missiles, satellites, helicopters and other equipment totaling more than \$13 billion.

The merger will make the group, which is scheduled to start operations as a single company on Jan. 1, the largest defense manufacturer in Europe, ahead of British Aerospace PLC, which had annual sales of nearly \$12 billion in 1997. It will be exceeded in size only by Boeing Co., Lockheed Martin Corp. and Raytheon Co., born out of successive mergers in the United States.

But defense analysts said the fragmented European defense industry

would need to ally across national frontiers before it could compete effectively with the U.S. giants in terms of cost and research muscle.

Other potential partners in such an international alliance, including Daimler-Benz Aerospace AG of Germany and British Aerospace, called the French move a step in the right direction.

Manfred Bischoff, the chief executive of Daimler-Benz Aerospace, said, "This represents significant progress

on the path towards integration of the aerospace capacities within Europe under the responsibility of private industry, as has been wished by politicians and industry."

However, Mr. Bischoff said that further steps toward privatization still were necessary, and a Deutsche Aerospace spokesman added that a European concern should not have a state shareholder.

"This goes in the right direction, but it is not the end of the road," the spokesman said.

British Aerospace said the development was "most encouraging." But a spokesman, Simon Raynes, said the question of ownership in an eventual European company "is something which will need to be looked at and discussed."

Finance Minister Dominique Strauss-Kahn of France said the decision to give up the state's majority share of Aerospatiale was "the price for building something which could build alliances with Daimler-Benz Aerospace or British Aerospace and which will guarantee our future defense in commercial and military terms."

Lagardere, a media and defense conglomerate that owns Matra Hautes Technologies, will be the main private partner in the enlarged Aerospatiale, with about 33 percent of the shares. Twenty percent of the company will be put up for sale on the stock exchange later this year, with some of the shares reserved for employees. This will put French state ownership at under 50 percent, but the government will keep a "golden share," giving it a deciding vote to protect French national interests, Mr. Strauss-Kahn said the government's share could fall if

Boeing Co.'s second-quarter profit falls 46 percent as production problems continue. Page 14.

See DEFENSE, Page 17

Rover Blames Pound As It Cuts 1,500 Jobs

Fears Grow of a Worsening British Slowdown

By Tom Buerkle
International Herald Tribune

LONDON — BMW AG has been held up as a model foreign investor in Britain, having ensured the future of Rover Group PLC by buying the company in 1994 and then investing in the development of two new British-made models.

So, it came as a particularly rude shock when Rover announced Thursday that it would eliminate 1,500 jobs and shift £1 billion (\$1.64 billion) worth of parts purchases outside of Britain to escape what it claimed were the damaging effects of the strong British pound.

"Government, please note and understand, the pound is overvalued," Walter Hasselkus, Rover's chairman, said bluntly in an interview with the British Broadcasting Corp. "And the export industry in Britain, because of that, is not competitive." The job losses were the biggest yet to result from the pound's 30 percent rise over the past two years.

The Rover announcement coincided with increasingly dire warnings from a broad spectrum of manufacturing industry, which has fallen into recession with output dropping in the first half of this year. And Imperial Chemical Industries PLC said Thursday that the strong pound, and Asia's economic weakness, had reduced first-half earnings by £40 million and could bite harder in the second half, helping to send the company's shares plunging 14 percent.

The industrial slowdown has created the biggest challenge to the economic policies of Prime Minister Tony Blair's government, which depend on continued growth to fund sizable increases in public spending on health and education.

"The real economy is now slowing quite sharply," said Renger Bootle, chief economist at HSBC James Capel.

The slowdown also has produced a remarkably open split on the Bank of England's Monetary Policy Committee.

Deanne Julius, the only committee member to oppose last month's decision to raise interest rates by a quarter point to 7.50 percent, warned that the committee's inflation-fighting strategy could backfire in the economy.

"There is a danger that, with interest rates as high as they already are in this economy, we could be causing a more severe slowdown than we actually need to hit our inflation target," Ms. Julius said in a radio interview late Wednesday.

It was not supposed to turn out this way when Mr. Blair's government ceded control over interest rates to the central bank in its first act of economic policy last year. Chancellor Gordon Brown claimed the move would end

Britain's history of high inflation and turbulent economic cycles. But despite several initial interest-rate hikes, the committee fell behind the inflationary curve and retail prices rose sharply above the government's 2.5 percent target earlier this year.

Now the committee faces a dilemma. High interest rates are keeping the pound strong at around 2.95 Deutsche marks, and the manufacturing slowdown is beginning to be felt more widely. The government reported Wednesday that retail sales fell 1.1 percent in June.

But private-sector wages are rising at a rate of more than 6 percent, a reflection of the low 4.8 percent unemployment rate. And the government's recent decision to boost public spending by a real 2.75 percent over the next three years, almost double the current rate of increase, may only add to inflationary pressures.

David Smith, chief economist at Williams de Broe, noted that manufacturing represents only one-fifth of Britain's economic output and predicted that rates could rise further next month. That possibility has prompted the strongest complaints yet by industry to the Blair government.

"It really is time for the Bank of England and the government to realize that industry has suffered enough," said Roger Dickens, president of the Birmingham Chamber of Commerce and Industry, which represents the heartland of Britain's manufacturing industry. "It is now time to spread the burden of controlling inflation across the whole economy by tightening fiscal policy."

Alistair Darling, the chief secretary to the Treasury, dismissed the criticism Thursday. He said the government was committed to reducing inflation and laying the conditions for long-lasting growth, and he noted several big investment decisions recently by other automakers, including Honda's decision to invest £450 million at its Swindon plant to build a new small car for the European market.

Still, most analysts agree that the climate here has taken a turn for the worse.

The National Institute of Economic and Social Research, a leading forecasting body, said this week that the government's spending plans would keep British interest rates and the pound higher than they would otherwise be, and delay their eventual declines. That would force Britain to enter European monetary union at a higher exchange rate, locking in the country's less competitive position and resulting in a long period of below-average growth, the institute predicted.

INTERNATIONAL MANAGER

New GM Strategy: Bringing Saturn Back to Earth

By Warren Brown
and Frank Swoboda
Washington Post Service

The great Saturn experiment may be nearing an end.

More than a decade after Roger Smith, then chairman of General Motors Corp., decided to go outside his own company to form Saturn Corp. in an effort to escape the GM management mentality, GM is now preparing to change the fundamental nature of its little car company.

If all goes as planned, according to GM sources and officials, Saturn soon will resemble little more than another marketing division of GM, sharing common designs, parts and products with the automaker's other divisions while retaining its separate corporate status.

Company sources confirmed, as one GM man put it, that the goal for Saturn "is to go modular," fulfilling a dream once championed by Jose Ignacio Lopez de Arriortua, GM's former head of worldwide purchasing who defected from the automaker months after the 1992 boardroom revolution that brought GM's current managers to power.

Mr. Lopez advocated designing plants that could install modular components immediately upon delivery from suppliers — using those same suppliers to do much of the bolting together at the assembly site.

The modular approach also would shift many United Auto Workers jobs to nonunion companies in the United States and abroad.

"This is not the Saturn of 1990," said a GM official. "The company's changing because it's growing." And part of that growth is the need to expand beyond Saturn's headquarters operations at Spring Hill, Tennessee, GM officials say.

The decision to remake Saturn is still in its formative stages. It is not entirely related to the crippling strike that has shuttered nearly all of GM's assembly plants.

Some key GM officials have always been skeptical of the stand-alone company and have repeatedly pressed for it to be folded into the larger company. This week's vote by Saturn workers to authorize a possible strike strengthened the band of GM insiders who believe it is time to rethink the Saturn strategy.

Already faced with a slumping mar-

ket for small cars, Saturn plans to join the crowded market for sports-utility vehicles, in addition to producing a mid-sized vehicle with the Saturn name — but not Saturn workers — at a regular GM assembly plant.

Another vehicle is in the works, sources say. Combining Saturn with Buick, GM's upscale line, is another option on the table, although it is not clear how that would be accomplished.

The first step is relying more on outside suppliers for components.

"The customer could care less where we get our McPherson struts or door hinges as long as it doesn't change the buyer's ownership experience," a GM official said.

Those parts will be more than nuts and bolts. They will be modules, such as completed instrument panels, delivered directly to the assembly line by suppliers and bolted together by Saturn assembly workers.

The system shifts more of the responsibility for component development and design to so-called first-tier suppliers, who rely on smaller suppliers to provide the pieces for a module.

The payoff for Saturn, which GM hopes to use to introduce modular as-

sembly company-wide, would be lower production costs, faster product development, faster product delivery to consumers — and lower warranty costs, because module suppliers would carry a larger portion of the financial burden for warranty repairs.

GM sources concede that such progress initially would cost union jobs. But they believe that job losses in the company's components business could be made up by higher employment in vehicle assembly, occasioned by a hoped-for increase in vehicle sales.

That optimism is not shared by the UAW, which contends that the company is rapidly moving away from the Japanese-style, labor-management cooperation that Saturn still praises in its national ads.

The highly publicized "Saturn Mission Statement," for example, says in part: "We, the Saturn Team, in concert with the UAW and General Motors, believe that meeting the need of customers. Saturn Team members, suppliers, retailers and neighbors is fundamental to fulfilling our mission."

And that mission is to "market vehicles developed and manufactured in the United States that are world leaders



A worker at the Saturn operations in Tennessee assembling a vehicle.

in quality," the mission statement says. But last Sunday, the more than 5,000 UAW members of Local 1853 at Saturn voted overwhelmingly to authorize a strike against the company over what they saw as a rending of the labor partnership agreement that distinguished em-

ployment at Saturn from other GM jobs. "We cannot continue to live a lie that this partnership is alive and healthy and well when it is not," said Mike Bennett, UAW bargaining chairman at Saturn, who said he and national union leaders would meet.

CURRENCY & INTEREST RATES

Cross Rates July 23									
	U.S.	DM	FF	Yen	GBP	Swf	Scd	DKr	Other
Amsterdam	2.36	2.22	1.77	1.33	0.61	1.35	1.35	1.35	
Bremen	2.36	2.22	1.77	1.33	0.61	1.35	1.35	1.35	
Frankfurt	2.36	2.22	1.77	1.33	0.61	1.35	1.35	1.35	
London (p)	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	
Madrid	16.20	16.20	16.20	16.20	16.20	16.20	16.20	16.20	
Paris	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	
Stockholm	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	
Switzerland	1.48	1.48	1.48	1.48	1.48	1.48	1.48	1.48	
Tokyo	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	
Yokohama	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	
1 ECU	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	
1 SDR	1.36	1.36	1.36	1.36	1.36	1.36	1.36	1.36	

Closures in Amsterdam, London, Paris and Zurich, 11:00 a.m. in other centers. New York at 4 P.M.
 P.M. and Tokyo rates at 3 P.M.
 a. To buy one pound: b. To buy one dollar: Units of 100 N.G. not quoted: N.A.: not available.

Other Dollar Values									
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Argentine peso	9.999	Greek drac.	201.77	Indonesian rup.	1,547.80	Israeli sheq.	1.836	Japanese yen	141.26
Australian \$	1.531	Hong Kong \$	7.781	Malaysian ring.	2.366	Korean won	200.48	Swiss franc	1.510
Canadian dollar	1.257	Mon. forint	216.34	Phil. peso	49.65	Saudi riyal	3.757		
Danish krone	1.366	Nep. rup.	13.75	Port. escudo	200.48	Sing. \$	1.712		
Deutsch mark	1.636	Indon. rup.	1,547.80	Thai baht	46.34				
French franc	6.55	Israeli sheq.	1.836	Turkish lra	200.48				
Italian lire	2,036	Korean won	200.48	UAE dirham	3.673				
Japanese yen	141.26	Malaysian ring.	2.366	Viet. dong	200.48				
Swiss franc	1.510								

Sources: ING Bank (Amst), Citicorp (New York), KBC Bank (Brussels), Banca Commerciale Italiana (Milan), Banque de France (Paris), Bank of Tokyo-Mitsubishi (Tokyo), Royal Bank of Canada (Toronto), IMF (SDR). Other data from the Associated Press, Bloomberg and Reuters.

General Strike Delayed in South Korea

Union Says It Will Continue Talks With Seoul on Plan to Curtail Layoffs

Compiled by Our Staff From Dispatches

SEOUL — A militant union called off a general strike set for Thursday and agreed to further talks with the government, but workers at South Korea's biggest automaker vowed to press on with protests against mass layoffs.

"We decided to call off the strike scheduled on Thursday in order to push the government to show a more sincere attitude in the talks," said Lee Kap Yong, president of the Korean Confederation of Trade Unions.

"But it doesn't mean that we will give up forever a strike," he said, speaking at Myeongdong Catholic Cathedral, where some union leaders have taken refuge.

Hyundai Motor Co. workers, who began a strike Monday, said they would continue their walkout until management canceled mass layoff plans.

The chairman of a committee on economic reform and representatives of the Korean Confederation of Trade Unions and the more moderate Federation of

Korean Trade Unions began talks late Wednesday after the government approached the unions in a bid to avert the general strike scheduled to start Thursday morning.

"But we failed to reach a full agreement in the talks as the government did not provide reasonable suggestions to solve two major issues," Mr. Lee said.

The unresolved issues include a call by the union to reverse a decision by Hyundai to lay off 2,678 workers and a demand for more consultations with the government on restructuring financial and state-owned corporations.

The two sides agreed the government would hold hearings to identify the causes of the nation's economic crisis, the confederation said.

They also agreed that the committee would consider employment guarantees for employees of five banks and 55 companies designated as nonviable, and guarantee employment for workers of the bankrupt Sammi Steel Co.

A confederation spokesman said the union would continue talks with committee representatives Friday.

But the Korea Employers' Federation announced that it would not join the three-way talks for now.

"It is deplorable that illegal strikes can be subject to negotiation," the employers' federation said.

Separately, in a joint statement, five South Korean ministers on Thursday urged unions to work with the government and employers to limit layoffs, saying the strikes could lead to another foreign-exchange crisis.

"Illegal strikes will throw us back into a second foreign-exchange crisis, which we have just escaped," the ministers said.

The statement was issued by the ministers of finance, justice and labor and ministerial-level chairmen of the Financial Supervisory Commission and Planning and Budget Commission.

(Reuters, Bloomberg, AP)

EUROPE

Foes Assail
Yeltsin Plan
For Economy

Compiled by Our Staff From Dispatches

MOSCOW — The government faced growing resistance on Thursday to its IMF-backed plan to end a deep financial crisis, as foreign investors shunned the market on concern the government would have trouble bolstering revenue and cutting its budget deficit.

Russian stocks fell for a fourth day. The benchmark RTS index closed at 159.86 points, down 6.91 percent.

On Thursday, Gennadiy Seleznev, the Prime Minister's spokesman, sided with the powerful oil barons who oppose the austerity plan, even though it enabled Russia to win an \$11.2 billion loan from the International Monetary Fund on Monday.

Mr. Seleznev also dealt Prime Minister Sergei Kiriyenko a blow by saying he saw no reason for the Duma, or lower house, to convene in August to consider adopting measures that would help the government's plan take shape.

"Why convene the Duma if these laws are going to be rejected again?" said Mr. Seleznev, a member of the Communist Party.

His comments signaled that Mr. Kiriyenko might have to wait for parliamentary approval of his plan, which is a condition for the step-by-step release to Russia of international credits worth billions of dollars.

Mr. Kiriyenko and President Boris Yeltsin hope the loans will help restore the confidence of investors who have fled Russia's financial markets this year.

Meanwhile, Russia and the World Bank reached agreement on the terms of a new \$1.5 billion loan, said Michael Carter, the bank's director for Russia.

The World Bank board will consider the loan, part of a total \$22.6 billion stabilization package from international lenders, at a meeting Aug. 6. The \$1.5 billion will go directly to the Russian budget.

Separately, in comments made in Washington, the IMF's deputy head, Stanley Fischer, highlighted the problems the government faces. He said the government was probably the most reformist Russia has had, but he cautioned that domestic politics or external factors could still prevent it from carrying out its austerity plan. (Reuters, Bloomberg)

Soccer Cup Lifts French Spending

Bloomberg News

PARIS — French consumer spending in June rose unexpectedly, growing at its fastest annual rate in more than 10 years amid a surge in purchases of televisions and video recorders during the World Cup soccer tournament, the national statistics office said Thursday.

The index of household spending on manufactured goods rose 0.2 percent from May, the fourth consecutive monthly increase, producing an 8.3 percent rise from a year earlier, its biggest rise since October 1987.

The report bolsters expectations that France will benefit from its fastest economic growth rate since

1989 this year, as falling unemployment and tax incentives make consumers more willing to make expensive purchases.

Economists expect stronger domestic demand to lift growth to 3 percent this year from a rate of 2.3 percent in 1997.

"We estimate television sales in our shops rose by between 30 percent and 50 percent during the World Cup as customers planning to buy a new television made the most of the promotions offered by the makers," said Beatrice Weber, a spokeswoman for Carrefour SA, one of France's leading retailers.

Spending on household equipment rose 8.1 percent in June, pro-

ducing an annual rise of 22 percent for the year.

"Households chose between spending on one kind of good and another, which can be seen in the drop in car sales," said Olivier Eluere, economist at Credit Lyonnais. "In July there might be another beneficial effect stemming from the euphoria following France's victory in the final, however, this is a one-off."

Offsetting the jump in spending on household equipment was a 13.8 percent monthly decline in spending on cars. Spending on clothing and shoes fell 5.1 percent in the month, reducing the rise in the year to 1.9 percent.

6 Companies
Win Control
Of Net Names

Reuters

LONDON — Six top British companies won a landmark "cyber-names" legal battle Thursday in the Court of Appeal over the use of their names by Internet domain dealers.

The ruling came as Internet policymakers prepared to meet Friday in Geneva to reform the network's name and address system and make it more competitive.

In the first case of its kind in Britain, Marks & Spencer PLC, J. Sainsbury PLC, Ladbrokes Group PLC, Virgin Enterprises, British Telecom and Telecom Securicor Cellular Radio in November were granted High Court orders banning three Internet domain name dealers from trademark infringement.

The High Court also ruled that the six companies' legal costs of £65,000 (\$106,600) should be paid by the Internet domain name dealers.

On Thursday, the High Court ruling was upheld by the Court of Appeal, which dismissed an appeal by the dealers.

The appellate judges said the use of names by the dealers amounted to "passing off" and the practice should be stopped to prevent fraud.

The dealers were listed as One in a Million, Global Media Communications and Junic.

Among names said to have been registered by the dealers were Ladbrokes.com, markssainsbury.com and spice-girls.net.

The dealers had approached companies and offered to sell them what amounted to their own Web site names for sums up to £25,000.

Meanwhile, Internet policymakers and industry leaders are to meet in Geneva on Friday to try to thrash out a U.S. plan to reform the network's name and address system and make it more competitive.

The meeting follows a high-level gathering arranged by the European Union in Brussels this month that made little progress.

In Geneva, the Internet luminaries will try to agree on a framework for a new, nonprofit corporation that will manage the address system.

They will debate a plan published last month by the U.S. Commerce Department for phasing out U.S. government management of the Internet address system.

Philips Net Rises Despite Asia Woes

Compiled by Our Staff From Dispatches

AMSTERDAM — Philips Electronics NV said Thursday that its net profit jumped 38 percent in the second quarter, powered by sales of specialty semiconductors used in phones and televisions and by lower special charges. But the company, the largest consumer electronics maker in Europe, cast a wary eye toward Asia for the second half.

Net profit in the second quarter rose to 1.03 billion guilders (\$510.8 million) from 747 million a year earlier. Much of the gain came from lower charges, which dropped to 141 million guilders from 224 million.

Sales climbed to 17.92 billion guilders from 17.25 billion.

Profit from operations rose to 854 million guilders from 693 million last year. That was slightly below most analysts' expectations.

The company said European income "increased sharply" during the first half of 1998, while Asia Pacific region income from operations "fell substantially," especially in Japan, Singapore, Hong Kong and Taiwan.

The company's semiconductor business, which accounts for half of all income, had a 16 percent sales increase during the first half, and the company said its sales "clearly outpaced the total market."

While European demand lifted sales, Philips said problems in Asia were worse than expected. Still, it is

predicting double-digit overall earnings growth this year, as it does not make memory chips, whose price declines have affected companies like Siemens AG and Motorola Inc.

"I'm encouraged that Philips is seeking to its outlook for double-digit growth despite the problems in Asia," said Corneille Couwenberg, an analyst at ABN-AMRO, who said the results were a little better than he expected.

Still, the company's shares fell 4.2 guilders, to 171.3 guilders.

Philips, which makes goods ranging from light bulbs to semiconductors, has agreed to sell Polygram NV, the music recording giant, to Seagram Co. (Bloomberg, Reuters)

EU Approves Creation of DaimlerChrysler

Bloomberg News

BRUSSELS — Daimler-Benz AG's planned \$43.5 billion purchase of Chrysler Corp., the biggest-ever foreign takeover of a U.S. company, was cleared Thursday by the European Commission, helping to pave the way for the creation of the world's fifth-largest carmaker.

The commission, the executive agency that enforces antitrust policy in the 15-nation European Union, said the stock-and-debt acquisition showed DaimlerChrysler will not threaten competition in the Euro-

pean auto market. EU clearance was expected following a routine month-long investigation.

"Given the minor overlap of market shares and the strength of the parent's competitors, the operation will only have a limited effect in terms of industry concentration," the commission said in a statement.

DaimlerChrysler will combine Daimler's Mercedes-Benz luxury car line with the cost-cutting savvy of Chrysler, the third-largest U.S. automaker and a leader in minivans, pickup trucks and sport-utility ve-

hicles. The combination will give both companies greater access to markets across the Atlantic.

Daimler and Chrysler still need the approval of the U.S. Federal Trade Commission and shareholders of the two companies, who will vote on the merger Sept. 18. If approved, Daimler and Chrysler shares can be exchanged for new DaimlerChrysler shares between Sept. 24 and Oct. 24.

The combined company would have sales of \$130 billion and pretax profit of \$6.9 billion in 1997.

WORLD STOCK MARKETS

Thursday, July 23

Daily prices in local currencies

High Low Close Prev.

Amsterdam

AEX Index: 1286.84

Previous: 1287.86

High Low Close Prev.

Frankfurt

DAX Index: 688.65

Previous: 688.65

High Low Close Prev.

Johannesburg

All Share Index: 711.82

Previous: 712.35

High Low Close Prev.

London

FTSE 100 Index: 5774.20

Previous: 5774.20

High Low Close Prev.

Madrid

IBEX 35 Index: 7944.41

Previous: 7944.41

High Low Close Prev.

Mexico

IPC Index: 4518.02

Previous: 4518.02

High Low Close Prev.

Moscow

RTS Index: 159.86

Previous: 159.86

High Low Close Prev.

New York

Dow Jones: 7231.75

Previous: 7231.75

High Low Close Prev.

Paris

CAC 40 Index: 4232.81

Previous: 4232.81

High Low Close Prev.

Seoul

KOSPI Index: 241.46

Previous: 241.46

High Low Close Prev.

Shanghai

SSE Index: 1418.11

Previous: 1418.11

High Low Close Prev.

Singapore

SSE Index: 1862.36

Previous: 1862.36

High Low Close Prev.

Stockholm

SSE Index: 4489.87

Previous: 4489.87

High Low Close Prev.

Sydney

ASX Index: 2748.20

Previous: 2748.20

High Low Close Prev.

Taipei

TSE Index: 7879.86

Previous: 7879.86

High Low Close Prev.

Tel Aviv

TAEX Index: 3342.31

Previous: 3342.31

High Low Close Prev.

Tokyo

Nikkei 225: 14181.11

Previous: 14181.11

High Low Close Prev.

Toronto

TSX Index: 7248.85

Previous: 7248.85

High Low Close Prev.

Vienna

ATX Index: 1333.52

Previous: 1333.52

High Low Close Prev.

Wellington

NZSE-40 Index: 2132.75

Previous: 2132.75

High Low Close Prev.

Zurich

SPI Index: 5133.32

Previous: 5133.32

High Low Close Prev.

Investor's Europe

Frankfurt	London	Paris
DAX	FTSE 100 Index	CAC 40
6400	6250	4600
6000	6100	4300
5500	5950	4000
5000	5800	3700
4500	5650	3400
4000	5500	3100
3500	5350	2800
3000	5200	2500
2500	5050	2200
2000	4900	1900
1500	4750	1600
1000	4600	1300
500	4450	1000
0	4300	700
Exchange	Index	Thursday
Amsterdam	AEX	1,280.06
Brussels	BEL-20	3,562.45
Frankfurt	DAX	6,858.45
Copenhagen	Stock Market	753.19
Helsinki	HEX General	5,360.75
Oslo	OBX	702.01
London	FTSE 100	5,976.20
Madrid	Stock Exchange	924.66
Milano	MIBTEL	25462
Paris	CAC 40	4,235.89
Stockholm	SX 16	4,480.97
Vietnam	ATX	1,527.88
Zurich	SPI	5,133.32
Source: Reuters		

Very briefly:

- JIB Sports PLC plans to buy a larger company, Sports Division, for about £290 million (\$475.8 million) in a deal that would create the biggest British sports retailer, with a market share of about 16 percent.
- Nestle SA's first-half sales rose 5.7 percent, to 35.3 billion Swiss francs (\$23.36 billion). The world's biggest food and beverage company also said it was beginning to feel the effects of reduced demand in Asia.
- Cable News Network, a unit of Time Warner Inc., and Sogecable, a Spanish affiliate of the French pay-television company Canal Plus SA, plan to start a 24-hour Spanish-language news channel.
- Britain's global trade deficit widened to £1.86 billion (\$3.05 billion) in May from £1.37 billion in April, as the strong pound contributed to a drop in exports, while imports rose. In the three months through May, the trade deficit widened to £4.76 billion from £4.45 billion.
- ABB Asea Brown Boveri Ltd., the Swiss-Swedish engineering company, said first-half profit rose 13 percent, to \$638 million, as demand grew in all regions except Asia. Sales fell to \$14.49 billion from \$15.20 billion, and orders fell to \$17.91 billion from \$18.92 billion.
- Banco Bilbao Vizcaya SA's first-half net profit rose 28 percent, to 74.3 billion pesetas (\$489.2 million). The Spanish bank said increased earnings from commissions offset a rise in provisions for bad loans. Net interest income rose 26 percent, to 334.7 billion pesetas.
- Turkey is set to carry out tax reforms after Parliament passed a law that will reduce income taxes to between 15 percent and 40 percent next year from between 25 percent and 55 percent in a bid to discourage tax evasion. The corporate tax rate is to rise to 30 percent from 25 percent. (Bloomberg, Reuters)

The Associated Press.

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Continued on Page 19

IMPACT

RECRUITMENT

ASIA/PACIFIC

Malaysia Eases Rules For Foreign Investors

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Malaysia opened the door to increased foreign ownership of local companies Thursday as part of a comprehensive national blueprint designed to pull the country out of its economic slump.

In an effort to attract foreign cash, the government said it would suspend the restrictions on foreign ownership of companies in the manufacturing sector until the end of next year. Foreigners are currently limited to owning 51 percent of a local company.

The sweeping package of measures stood in stark contrast to the austerity measures advocated by the government up until several weeks ago.

The government said it would relax reserve requirements for banks and inject cash into the system by spending 12 billion ringgit (\$2.9 billion) on large-scale infrastructure projects including highways, a mass-transit system and a port on the country's west coast, all projects that have faltered due to lack of funding.

But analysts, wary of yet another Malaysian rescue package — there have been at least three since the financial crisis began last year — said some of the measures were halfhearted.

The relaxing of foreign ownership rules, for instance, covers only the manufacturing sector and not utilities or industries "where local firms have adequate capabilities," according to the blueprint.

"Basically they're saying that foreigners will have to buy things they don't want," said an analyst at a foreign research company, who did not want to be named.

Neil Saker, head of regional economic research at SG Securities in Singapore, added: "Foreign investors have the whole pick of the region. They'll need to be encouraged more to come to Malaysia rather than investing in Thailand or Korea or the Philippines."

But the message from Malaysian officials was clear: we can get it alone if we have to.

Daim Zaidin, the architect of the blueprint and a former finance minister, said Thursday that Malaysia would not open up its banking sector to increased foreign participation, a move many economists say will be necessary as bad loans mount and banks need infusions of funds.

"There is sufficient internal resources to recapitalize Malaysian banks," Mr. Daim said.

Malaysia, unlike two of its closest neighbors, has not needed to request aid from the International Monetary Fund, mainly because Malaysian companies borrowed much less from abroad than their counterparts in Indonesia and Thailand.

But Mr. Daim and other top officials have nonetheless sought money overseas.

On Monday Mr. Daim made a secret trip to Taiwan, seeking \$1 billion in export credits.

The country's prime minister, Mahatir bin Muhammad, was reported to have asked Japanese officials for billions of dollars in aid during a visit to Tokyo last month and Finance Minister Anwar Ibrahim earlier this week spoke with World Bank officials regarding loans totaling \$1 billion.

It is not yet clear whether these funds will be sufficient.

Also unclear following the unveiling of Thursday's recovery plan is who controls economic policy in Malaysia these days.

Mr. Daim is a long-time friend and adviser of Mr. Mahatir, who

appointed him minister for "special functions" earlier this month. Mr. Anwar, meanwhile, has been largely overshadowed by Mr. Daim since the appointment.

The finance minister was not present as Mr. Daim presented the blueprint — arguably the most important policy document of the crisis so far — to reporters Thursday.

"Part of what the National Economic Action Council was supposed to address was confidence," said Jomo K.S., professor at the University of Malaya, referring to the government body that produced the blueprint.

"And part of the problem of lack of confidence was this ambiguity about who's in charge," the professor added. "You had Mahatir and Anwar. Now you have a third voice. I'm not sure that's going to solve the problem."

Beijing Sets Stricter Code

Compiled by Our Staff From Dispatches

SHANGHAI — China has issued rules to wipe out illegal financial institutions, the latest in a series of efforts to clean up the financial sector, according to news reports on Thursday.

The regulations, announced by Prime Minister Zhu Rongji, target institutions that were set up to take deposits and make loans without approval from the central bank, the State China Securities and Shanghai Securities News said.

The new regulations also prohibit lawful institutions from providing services to illegally run financial institutions. If profits were made from violating the rules, the reports said, the government will confiscate illegal earnings and fine those involved up to five times their illegal income, the central bank said. (AFP, Reuters)

Many State-Run Businesses Are Teetering, Jakarta Says

Compiled by Our Staff From Dispatches

JAKARTA — At least 57 of Indonesia's 160 state-run companies are in poor financial health, and the state of a further 29 is precarious, the minister of state enterprises, Tami Abeng, told Parliament on Thursday.

Mr. Abeng said that even companies that were financially sound were generally "inefficient," with a low return on investment, and that some were suffering acutely from the Asian economic crisis.

Two companies that he cited as being in the direst financial straits were PT Perusahaan Listrik Negara, or PLN, the state electricity utility, and Garuda Indonesian Airlines.

He said PLN would probably post a loss of about 14 trillion rupiah (\$985.9 million) in 1998 and warned that the government might have to heavily subsidize the company over the next four years. Garuda "is in

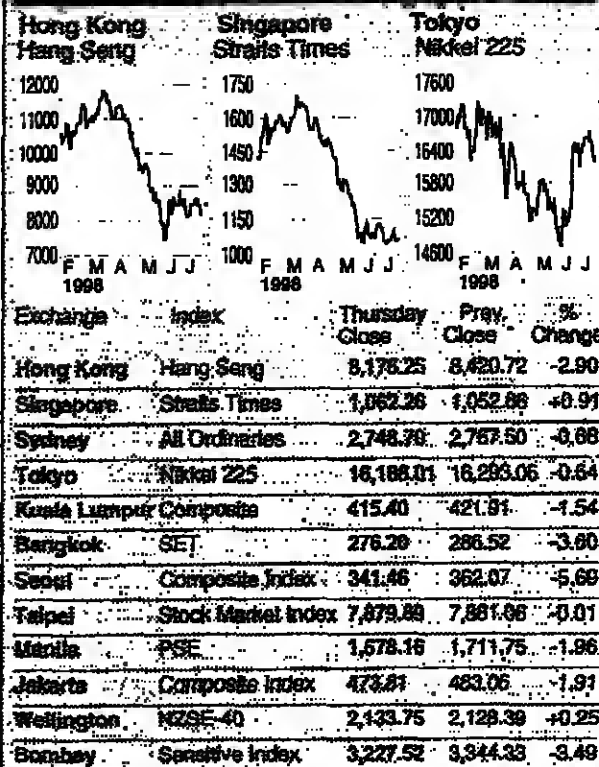
the same position," he added, without giving details.

Mr. Abeng said PLN managers were responsible for many of the company's losses because they signed contracts, including several with parties connected to former President Suharto, that caused drastic overcapacity. These officials' contentions that they were forced to sign the contracts are not acceptable, Mr. Abeng said.

PLN is revising terms of a number of dollar-denominated supply contracts with foreign companies such as General Electric Co. of the United States and Powergen PLC of Britain. It canceled a power price increase last month because higher prices have ignited violence against its offices in some parts of Java.

For its part, Garuda has had to cut its route network and return leased aircraft as the plunge in the country's currency, the rupiah, has raised fuel costs. (AFP, Bloomberg)

Investor's Asia



Bad Loans Haunt Ex-Im Bank and U.S. Taxpayers

Bloomberg News

SINGAPORE — U.S. taxpayers may end up paying for billions of dollars of power plants, roads and other infrastructure in Asia because of a federal agency that few ordinary people probably know about: The U.S. Export-Import Bank.

The Ex-Im Bank, funded by an annual appropriation from Congress to encourage foreign trade, lent money and guaranteed loans for projects that were too risky for commercial banks in Indonesia, Thailand and elsewhere.

Now much of Asia is mired in recession, and the Export-Import Bank and its counterparts in other countries are hiring advisers to help recover what they are owed, according to investment bankers, accountants and lawyers. Losses could be in the billions, bankers said.

A spokesman for the agency said it had not yet lost any money in Asia. But analysts say losses are inevitable.

"They'll have to write off debts," said Sanjay Grewal, a vice president for project finance at Citicorp International Ltd. "All the export-import banks will have to take losses."

The chairman of the lending agency, James Harmon, started a two-week trip to Asia on Monday that will take him to China and Thailand, where it has more than \$6 billion worth of loans, loan guarantees and insurance outstanding. The agency also has a debt-collection specialist who visits the region.

So far, Americans and Europeans have been largely unscathed by Asia's economic troubles. The Ex-Im Bank's problems, though, show they

will not get off the hook completely, because many Western governments guaranteed financing for a large part of Asia's decade-long boom.

China, with \$5.2 billion worth of loans and guarantees, is the U.S. agency's largest borrower after Mexico. The bank has several billion dollars more spread over Bangladesh, Indonesia, Malaysia, Philippines, Singapore, South Korea and Vietnam.

A lot of Asia's debt is tied to the bank and similar agencies.

In Indonesia, about \$18.5 billion of the nation's \$111 billion in foreign debt at the end of last year, or about 17 percent, was funded with the help of export credit agencies, according to the Organization for Economic Cooperation and Development.

During the past decade, the bank vied with similar agencies in Japan,

Germany, Australia and others to help companies from their countries win lucrative projects. As competition intensified, Ex-Im and others took bigger risks by offering more generous insurance and bigger guarantees on loans, and by making more loans itself, bankers said.

Many of those projects earn revenue in local currencies — rupiah in Indonesia, baht in Thailand and so on. Those currencies tumbled in the past year (the rupiah lost 84 percent of its value against the dollar), making it difficult or impossible to repay loans in dollars.

To make matters worse, some countries simply overbuilt.

There is often a grace period before repayment of debt. Developers are only now starting to see repayments looming — and banks are starting to see defaults as imminent.

IMPACT: Asian Stocks and Money Clubbed by Review of Japan Credit Rating

Continued from Page 13

deregulation on April 1. That in turn could prove deadly for the yen and currencies across Asia.

In Europe, Asia's economic downturn prompted profit warnings Friday from an array of companies, including Imperial Chemical Industries PLC in Britain, and Philips Electronics NV in the Netherlands.

On Thursday, Computer Associates International Inc. and Hewlett-Packard Co. in the United States warned that the severe recession in much of Asia will hurt their profit growth.

"Investors are starting to get a taste of how bad earnings and the provisions after the Asian financial crisis will be," John Lai, chief investment officer at Nikko Global Asset Management (H.K.) Ltd. told Bloomberg News.

In Asian trading, the dollar rose as high as 142.30 yen, its highest since July 13, from 141.10 on Wednesday. Currencies across most of Asia weakened against the dollar in line with a weaker yen. The Singapore dollar fell to 1.7170 from 1.7110, the Philippine peso to 42.08 from 42.01, and the Taiwan dollar to 34.41 from 34.35. The Thai baht fell to 41.04 from 40.90. Currencies in Malaysia and South Korea strengthened slightly.

Besides its impact on the U.S., Japan is the import engine that Asian countries have looked to so far in vain to help pull them out of what threatens to become a depression across much of the region.

The United States helped to take about 85 percent of Mexican exports when that country needed a bailout earlier this decade, but Japan so far has been weak domestically that it has been unable to be of much help for the rest of Asia.

Following Moody's credit warning, Hong Kong's blue chip Hang Seng index fell 244.47 points, or 2.5 percent, to 8,176.25 — its biggest drop in a month. Stocks in South Korea, which competes with Japan in a range of export markets, fell by 5.7 percent. In Tokyo, the bench-

mark Nikkei 225 Stock Average lost 105.05 points, or 0.64 percent, and closed at 16,108.01 points.

Ultimately, what markets most fear is that Japan's authorities continue to delay meaningful reform of their financial system. Another threat for the rest of the world would be that Asia could export its deflation to the U.S. and Europe.

Lombard Street Research of London, in a report last month called "Return to the Golden Age of International Financial Crises," said that falling export prices could have

a massive effect.

Just as there is deflation in Asia today, "the 1930s crisis was preceded by collapsing food and commodity prices at the periphery of the world economy," the report said.

Argentina, Australia, Uruguay and Brazil devalued in 1929-30," it continued. "Cheap food imports then severely damaged the American Midwest states."

The impact of a total collapse in confidence in Asia would also affect Western banks that have lent money there.

DEFENSE: Paris Stake in Contractor Irks Potential Allies

Continued from Page 13

other French or European investors take stakes in the company.

Past French governments have strongly opposed privatization of the defense industry, and, according to Frederick Bonnard, the editor of the independent military journal NATO's 16 Nations, "even declared it immoral for arms to be produced commercially. That philosophy has now been discarded."

In May, the French prime minister, Lionel Jospin, asked Aerospace to prepare for stock market flotation, and announced that the government would transfer its 46.7 percent share in Dassault Aviation, which makes the Mirage and Rafale fighters, to Aerospatiale to strengthen its negotiating position.

In an earlier reorganization of the defense industry, the Socialist gov-

ernment chose Alcatel Alsthom, together with Aerospatiale and Dassault Industries, to own equity shares in Europe's largest defense electronics manufacturer, Thomson-CSF, reducing the state's holding to less than 50 percent.

Some analysts said these moves appeared aimed at ensuring that France would play a central role in a future consolidation of the European defense industry. "I believe the French are finding the structures that they believe will be acceptable to their partners," Mr. Raynes of British Aerospace said.

Matra HarTex Technologies has a 50-50 partnership with British Aerospace in Matra BAe Dynamics, Europe's leading missile maker. Mr. Raynes said it was too early to tell how this alliance would be affected by the French decision.

At the same time, Aerospatiale,

Daimler-Benz Aerospace and British Aerospace, along with Construcciones Aeronauticas SA of Spain, are collaborating in an effort to turn the Airbus consortium into an independent corporation. Airbus could eventually include Swedish and Italian civil aviation interests.

Mr. Bonnard said the shrinking of armed forces following the end of the Cold War made it impossible for any European country to sustain an effective defense industry on its own. He added that the increasing sophistication and "tremendous increase in firepower" of modern weaponry put arms research beyond the reach of all but the largest companies.

He said European defense companies would need to cut costs in order to compete with the Americans in winning export orders, which would be necessary to offset the high cost of developing weapons.

Very briefly:

- Taiwan and the European Union have concluded five years of negotiations by reaching agreement on requirements for the island-state's entry into the World Trade Organization, the Taiwan Economics Ministry said.
- Tata Iron and Steel Co., India's largest private steelmaker, reported a 58 percent decline in net profit for the three months ended in June, to 270 million rupees (\$5.4 million), blaming price pressure amid an economic slowdown.
- Asakawagumi Co., a Japanese regional construction company based in western Wakayama Prefecture, filed for court protection from creditors with total liabilities of 60.3 billion yen (\$428.9 million), after its main lender, Kiyo Bank Ltd., refused to grant it further loans.
- Hyundai Motor Co. submitted a letter of intent to bid for Kia Motors Corp. and its affiliated company, Asia Motors Corp., a company spokesman said. South Korea's largest carmaker became the second bidder, following Samsung Motors Inc.
- Enterprise Oil PLC will close its one-man office in Hanoi to cut costs because of low oil prices after drilling in the country to date has failed to produce a big find.
- International Business Machines Corp. and Ionics Circuits of the Philippines have dropped plans to build a \$1 billion wafer fabrication plant in the Philippines because of a fall in demand for memory chips. (AFP, Reuters, Bloomberg)

'Great Singapore Sale' Fails To Spur Consumer Spending

The Associated Press

SINGAPORE — As shoppers tighten their purse strings to cope with the economic downturn, this year's Great Singapore Sale has been anything but great.

Results in the annual event, launched in 1994 to stimulate the retail business in Singapore, have been the worst ever, with some big retailers reporting declines in revenue of as much as 20 percent compared with last year, The Straits Times, an English-language daily, reported Thursday.

"It's very bad," Toshiro Nishii, managing director of Singapore Daimaru, a department store, was quoted as saying. "There are fewer tourists and the whole economy is getting worse and worse. So people try to save money and do not want to spend too much."

With only a few days left in the five-week sale, the Japanese-owned department store chain has experienced a 20 percent fall in sales at its main branch since the event began, the report said.

Earlier this year, the Singapore Retailers Association said it expected a 30 percent decline in retail sales from April through September.

Japan to Get New Domestic Airline

Agence France-Press

TOKYO — Japan is set to approve the first airline to enter its domestic aviation market in 35 years, giving a license to SkyMark Airlines, which will operate discount flights starting in September, officials said Thursday.

The Transport Council, an advisory panel to the transport minister, approved SkyMark's application to operate three daily flights between Tokyo and Fukuoka, the biggest city on the southwestern island of Kyushu, the Transport Ministry officials said.

The Tokyo-based airline plans to start the Tokyo-Fukuoka service on Sept. 13 after formally getting the government's authorization next week, the officials said.

SkyMark was set up in 1996 by the discount air ticket seller H.L.S. Co. Ltd. and the major finance company Orix Corp.

SkyMark plans to charge 13,700 yen (\$97) for a one-way fare over the route, half of that charged by market leaders.

RECRUITMENT

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Chief Operating Officer	Box D-652	LHT, 850 Third Ave., 10th FL New York, NY 10022
Broadcast Journalists Iraq Service	RFE/RL	In Prague: Fax: 420 2 2112 3420 E-mail: HRPrague@rferl.org - Radio Free Europe/ Radio Liberty - Human Resources Dept. (attn: IQ) Vinohradska 1 - 100 00 Prague 1 - Czech Republic
Broadcast Journalists Iran Service	RFE/RL	In Prague: Fax: 420 2 2112 3420 E-mail: HRPrague@rferl.org - Radio Free Europe/ Radio Liberty - Human Resources Dept. (attn: IQ) Vinohradska 1 - 100 00 Prague 1 - Czech Republic
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Experienced Broadcast Correspondents	Voice of America	Ms. Cindy Krasinski - Voice of America Rm. 3254, Wilbur Cohen Bldg, 330 Independence Avenue, SW - Washington, DC 20547
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Thursday's 4 P.M.

Thursday 4 P.M.
The 1,000 most traded National Market securities
In terms of dollar value, updated twice a year.
The Associated Press.

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Year	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100
1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	

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POSTCARD

The Russian Riviera

By Marc Fenouil
Agence France Press

NICE — Once the winter playground for Russia's czars, the French Riviera has now started attracting Russia's erstwhile proletariat.

The Mediterranean coast last year drew 70,000 vacationing Russians. "This year, we're expecting at least 100,000," said Dimitri Tarabrin, the Russian consul general in Marseille.

The wave of Russian visitors that has hit the coast over the past four years evolves with each new season. First came the leisured "nomenklatura," then the spendthrift "nouveau riches," and now, finally, the more modest masses on holiday.

Inexo, a tour operator catering in Russians, whose revenue has more than quadrupled since 1994 — from 21 million francs (\$3.5 million) to 100 million francs — is diversifying in its clientele. In 1994, the company developed only exclusive and up-market features: yacht rentals, luxurious villas, chauffeured limousines and helicopter services.

"Of course, that clientele was a major part of our business, but package tours are gaining in importance," said Alexander Belchikov.

The new Russian vacationers may not spend as freely as their predecessors, but that hasn't chilled the welcome the coastal towns extend these sunseekers. For instance, some eateries have put Cyrillic script on their menus.

Many of the sightseers make a pilgrimage in the footsteps of the czars and Russian nobility. The Russian Orthodox Church in Nice is now a very popular monument on

the Riviera, with 200,000 visitors since 1997.

But the Russian holiday makers who have made the biggest impression on shopkeepers were the ones who came early on.

"They may be discreet, even reserved compared to Italian or American vacationers," said a Nice restaurateur, "but they don't pay much attention to the price tag."

They order fine champagne, lobsters and caviar, he said, "and then spend wads of francs or dollars down to the last cent." They stay in hotels like the beachfront Negresco, whose lobbies open onto the Promenade des Anglais, and buy clothing and jewelry.

Russian jet-setters have also invested in real estate on some of the region's more bewitching areas.

The well-heeled are better off on the Mediterranean coast than back home.

The Russian tax police last year uncovered extensive tax fraud: 21,000 recorded cases, and that doesn't include the third of businessmen who pay no taxes at all.

One downside to the surge in Russian vacationers, police say, is the accompanying surge in prostitutes from Eastern Europe. In Nice alone, police say they've counted 123 French prostitutes competing with 140 foreigners, predominantly East Europeans.

"The girls, who are recruited through classified ads in Russia that lure them to waitress and model jobs, are assigned to pimps from other East European countries," a Nice police officer said.

"Since they've already got fake IDs after the breakdown of the Eastern bloc administrations, they are also forced to move around a lot."

Beatles' Memories Echo in McCartney House

By Warren Hoge
New York Times Service

LIVERPOOL — The patterned brown sofa and armchair with the white linen antimacassars are where Paul McCartney and John Lennon, bending over their guitars and scribbling in a grammar school notebook, wrote their first songs.

The Chinese willow print wallpaper doesn't reach the corner because the McCartney family couldn't afford to buy enough, and the bare space is painted in a color that looks just as alluring as its name — Corporation Cream. It was the favored shade of the Liverpool Corporation that built government subsidized housing in 1952.

Graceland it isn't, but 20 Forthlin Road, home to the family of Sir Paul McCartney from 1955 to 1964, now belongs to the ages.

The National Trust — the conservation charity that normally measures its yesterday in centuries — has bought it, ripped out all the decorating enhancements of the last three decades, restored its serviceable 1950s appearance and is about to make it available to the public.

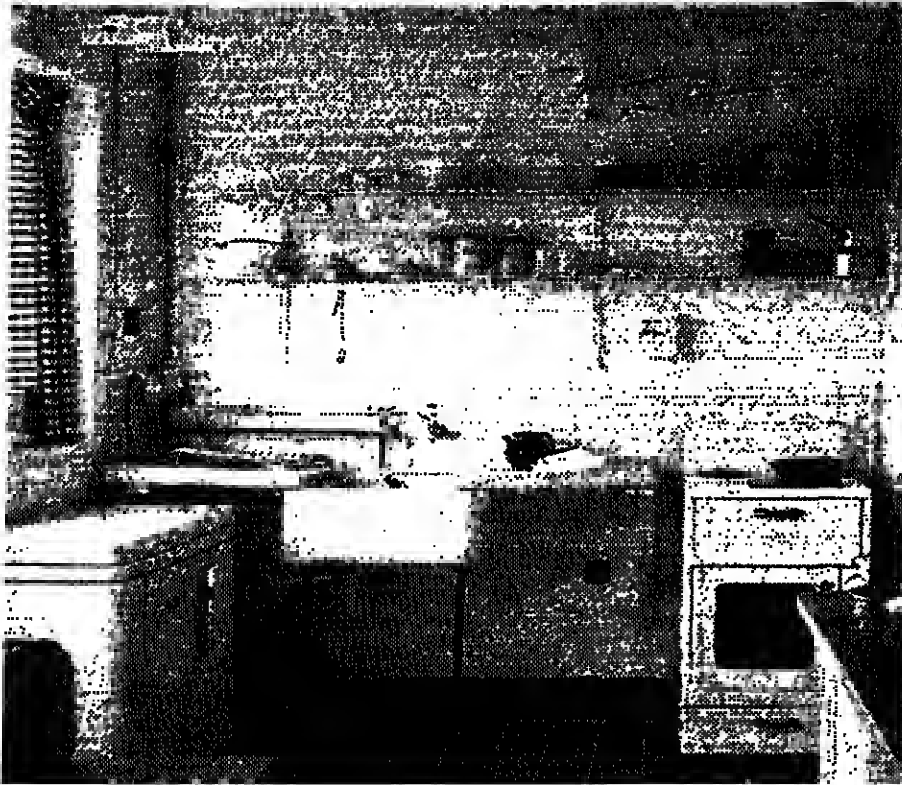
When it opens next Wednesday, it will join a number of other Beatles attractions that have lifted the fortunes of Liverpool, a troubled maritime city of faded glory that has struggled to recover from the lost prosperity of its days as an industrial center and Britain's principal trans-Atlantic port.

Tourism has become a major business in Liverpool, employing more people than its miles of docks once did and contributing more than \$800 million a year to the local economy. A Merseyside Tourism and Conference Bureau survey shows that a third of the people who come to visit say it's the Beatles that brought them here.

There is a permanent exhibit called The Beatles Story in the refurbished Albert Dock complex, and a two-hour Magical Mystery Tour that takes in places like Penny Lane and Strawberry Fields and the Cavern Club, the small underground room with low brick arches where the early Beatles debuted in Liverpool in 1961.

Purchased for \$91,000 and restored through a \$78,000 grant, the house on 20 Forthlin Road is the most modern building the Trust has acquired and the first time it has purchased a house associated with a living person.

The three-year restoration posed an ex-



The kitchen of Paul McCartney's boyhood home in Liverpool, now a museum.

hilarating challenge to the tweedy experts from the trust who are more at home cataloging Chippendale cabinets and Queen Anne settees than scouring junk shops and Sunday flea markets for white enameled colanders, mass-produced flower design wallpaper and parquet linoleum from one of the least inspired eras of decorative history.

Julian Gibbs, the Trust's historic buildings representative, conceded that he instinctively erred in the direction of good taste. "I'd show something to someone who knew the house from then and he'd say, 'We never had that; it's much too smart.'"

The Trust says it was intent on reproducing the feeling of the time rather than an exact replica of what the house looked like when the McCartneys lived there. A series of photographs by Mike McCartney, the composer's younger brother, are hung throughout the house, usually in the same room as the family moments they capture occurred.

A two-story, three-bedroom unit in a red brick block of row houses on a leafy street with a suburban feel, it was the home of the McCartney family from 1955 when Paul was 13 until 1964 when Paul had become such a celebrity that borders of groupies stalked out the front hedge.

His father Jim McCartney left the house under cover at midnight to take up residence in a house in the country that Paul had bought for him with his newly earned fortune.

Paul's mother, Mary McCartney, had died of breast cancer the first year they were in the house, leaving the raising of the two boys to their father, then 53.

Fans will have to buy tickets in advance to visit the house, and they will be ferried there by minibus from nearby Speke House, a 16th century Tudor building also owned by the Trust.

They will tour the house in groups of 14 Wednesdays through Saturdays and there will be six trips a day.

Stepping into the house, they will encounter the famous parlor, a strikingly modest setting for the beginning of a songwriting partnership that would influence popular music around the world.

It was here that Paul and John wrote their first two songs, "I Saw Her Standing There" and "Love Me Do." In one corner is a black and white Bush television that is the same model as the one the McCartneys bought in 1953 to watch the coronation of Queen Elizabeth. A standing lamp overhangs the sofa, and a now empty space is to be filled with a piano when researchers can find one similar to the upright that stood there 40 years ago.

The kitchen is a trip to Betty Crocker land with period appliances, tin boxes with "Bread" and "Biscuits" stenciled on their sides, Lifebuoy soap bars, an overhead clothesline for dishcloths, and the original heavy porcelain butler's sink with sycamore draining boards on either side.

On top of the cupboard are piles of cardboard egg cartons that the boys used in soundproof the living room walls when they played. On a window sill is a spray of lavender of the kind that Jim McCartney grew in the front yard, dried and crumbled into potpourri to mask the odor of cigarette smoke in the house.

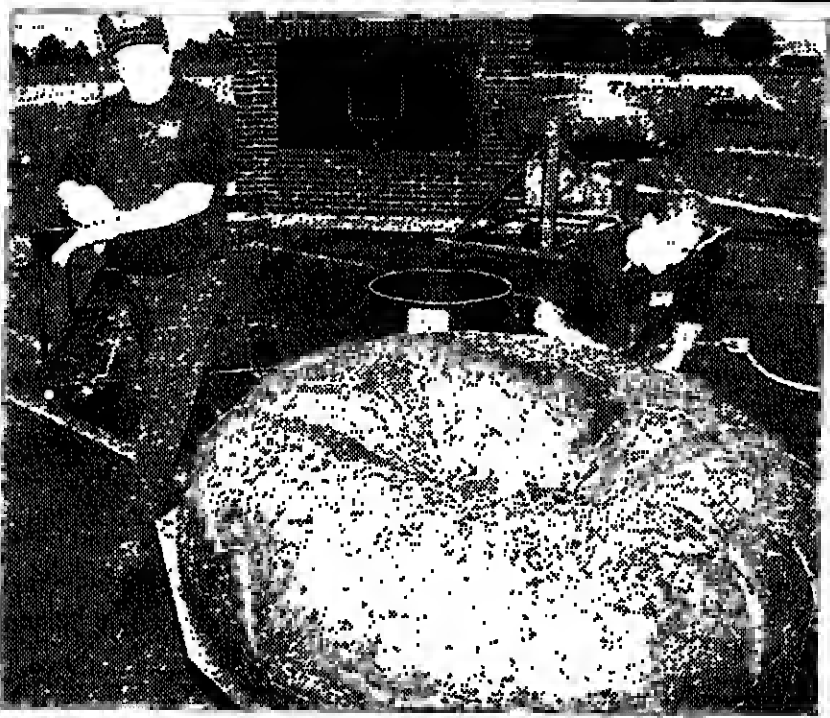
There is a Philips radio of the same model that Mr. McCartney wired with earphones so young Paul could listen upstairs to Radio Luxembourg, the only source those days for American rhythm-and-blues music by people like Little Richard and Fats Domino.

No keep-off sashes cover the furniture, and visitors caught short will even be permitted to use the original outdoor bathroom next to the coal shed.

While out back, they can gaze upon England's most famous drainpipe. It is the one that Paul and his brother used to use to climb up to a second story bathroom window when they were locked out.

Martin Drury, the director general of the Trust, appeared Tuesday with a "Beatles Fan" pin on the lapel of his well-tailored blue blazer and labored to convince a group previewing the site that the new attraction was also aimed at focusing attention on the postwar era of social housing construction in Britain.

One unimpressed listener had a question. "So when are you buying a Spice Girls house?" he asked.



A huge blueberry bagel, to be featured at a Bagelfest in Mattoon, Illinois.

VERSAILLES court Thursday convicted the actor Gerard Depardieu of driving drunk — with three times the legal limit of alcohol in his bloodstream when he crashed his motorcycle in May, fracturing his leg. He was fined 10,000 francs (\$1,650) and received a three-month suspended sentence. But the court also suspended Depardieu's driver's license for 15 months.

Prince Harry, the younger son of Prince Charles and Diana, Princess of Wales, has met Charles's longtime companion, Camilla Parker Bowles, for the first time, at his father's country home, Highgrove. The Sun reported Thursday in a "world exclusive," headlined "When Harry met Camilla." Two weeks ago, Prince Charles's spokesman confirmed a report that Parker Bowles had met Prince William, 16, for the first time on June 12.

John Irving finds himself a major character in a melodrama about the haves and the have-nots these days. It began with the best-selling author's criticism of Vermont's school-funding overhaul, which Irving said was Marxist. He later provoked outrage by telling Time magazine that he avoids talking about the law in the local press "because I don't want to make my child a target of trailer-park envy," Irving said. "There's a

minority which is an open target in this country, which no one protects, and that's rich people."

The first grandson of King Juan Carlos and Queen Sofia of Spain, 5-day-old Felipe Juan Froilan de Todos los Santos de Marichalar y de Bourbon, was introduced to the public at a Madrid clinic. The baby

Emmy Nominations

The Associated Press

LOS ANGELES — "From the Earth to the Moon," HBO's sweeping chronicle of America's space program, received a leading 17 nominations on Wednesday for the Primetime Emmy Awards. Fox's surprise hit "Ally McBeal" was the top comedy with 10 nominations.

The 12-part cable drama on space, produced by the actor Tom Hanks, had been the focus of a protest by broadcast networks who felt that it was too lengthy to be considered a miniseries.

Other nominees included NBC's medical drama "ER" and Fox's "The X-Files," each with 16 nominations, and the NBC miniseries "Merlin" with 15.

kept his eyes firmly shut as more than 100 photographers took pictures of him with parents, Princess Elena and Jaime de Marichalar, and his grandparents.

Stevie Wonder, who attended Nelson Mandela's 80th birthday banquet and will perform at a concert in honor of the event, said in Johannesburg that "President Mandela without question is our king in this world." Mandela, who became president in the first all-race vote in 1994, was detained for 27 years by the former apartheid authorities for his fight against racism.

Scott Weiland, the troubled singer of the Stone Temple Pilots, has been arrested on a felony warrant for missing a court date two weeks ago. Weiland, 30, posted \$250,000 bail and was released. He is due in court Aug. 12. He is charged with felony possession of heroin and misdemeanor possession of a hypodermic needle stemming from a September 1997 arrest.

A monster blueberry bagel baked by Larry Wilkerson and Jeff Maninfor at the Lender's Bagel Bakery in Mattoon, Illinois, was expected to weigh more than 600 pounds. It will be weighed and measured Friday at opening ceremonies of the annual local Bagelfest.



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